

Canadian Radio-television and Telecommunications Commission



Performance Report

For the period ending
March 31, 2008

The Honourable James Moore, P.C., M.P.
Minister of Canadian Heritage and Official
Languages

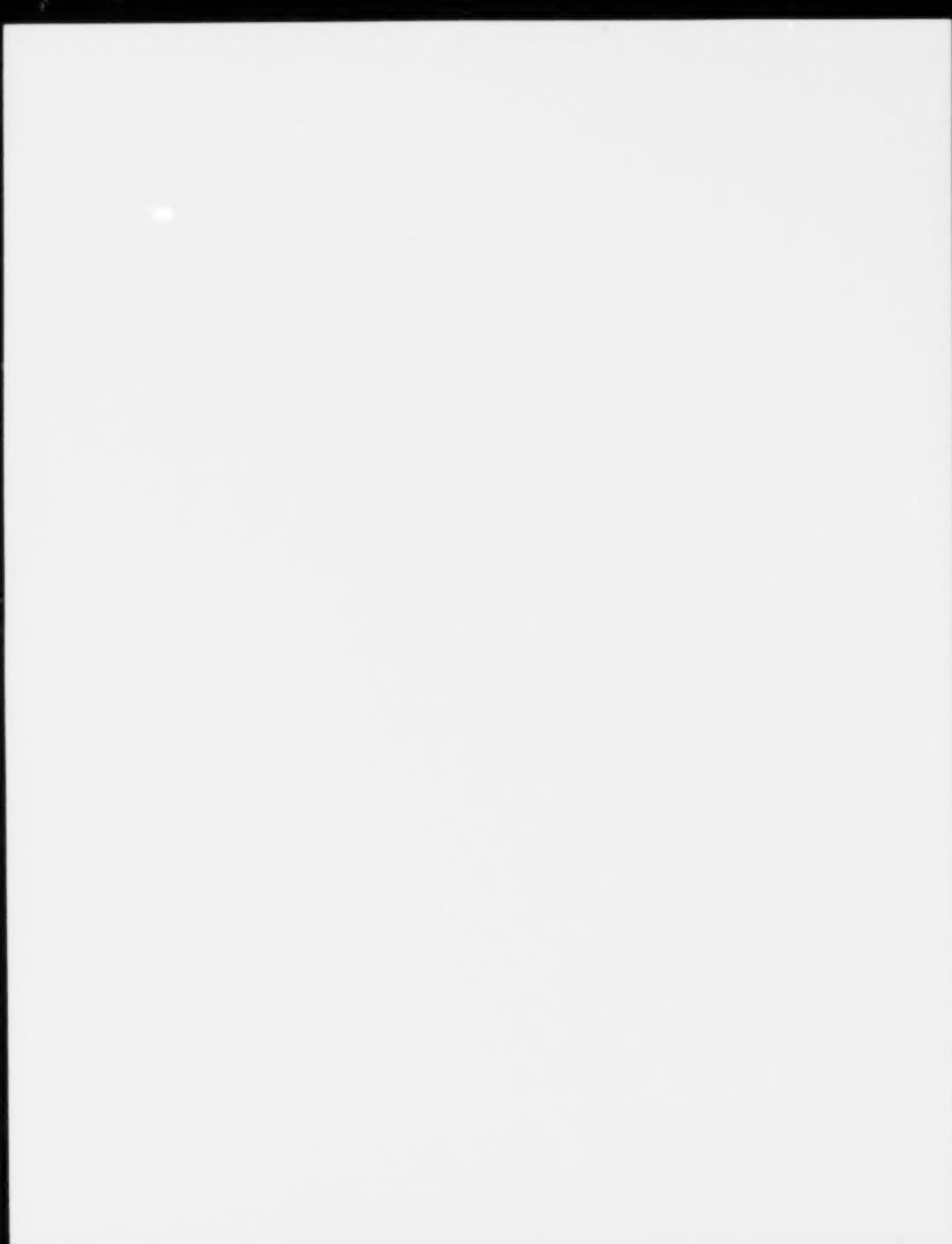
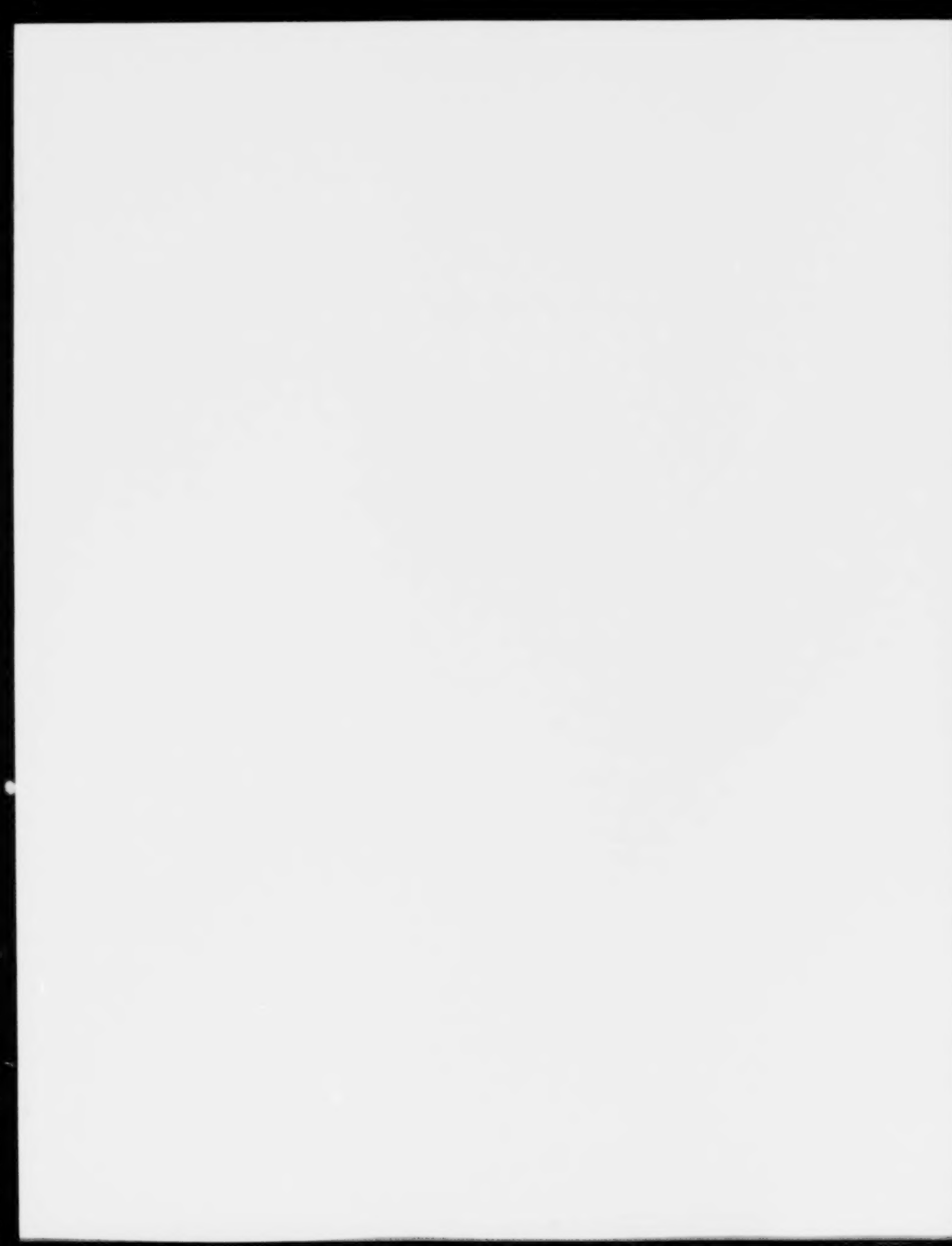


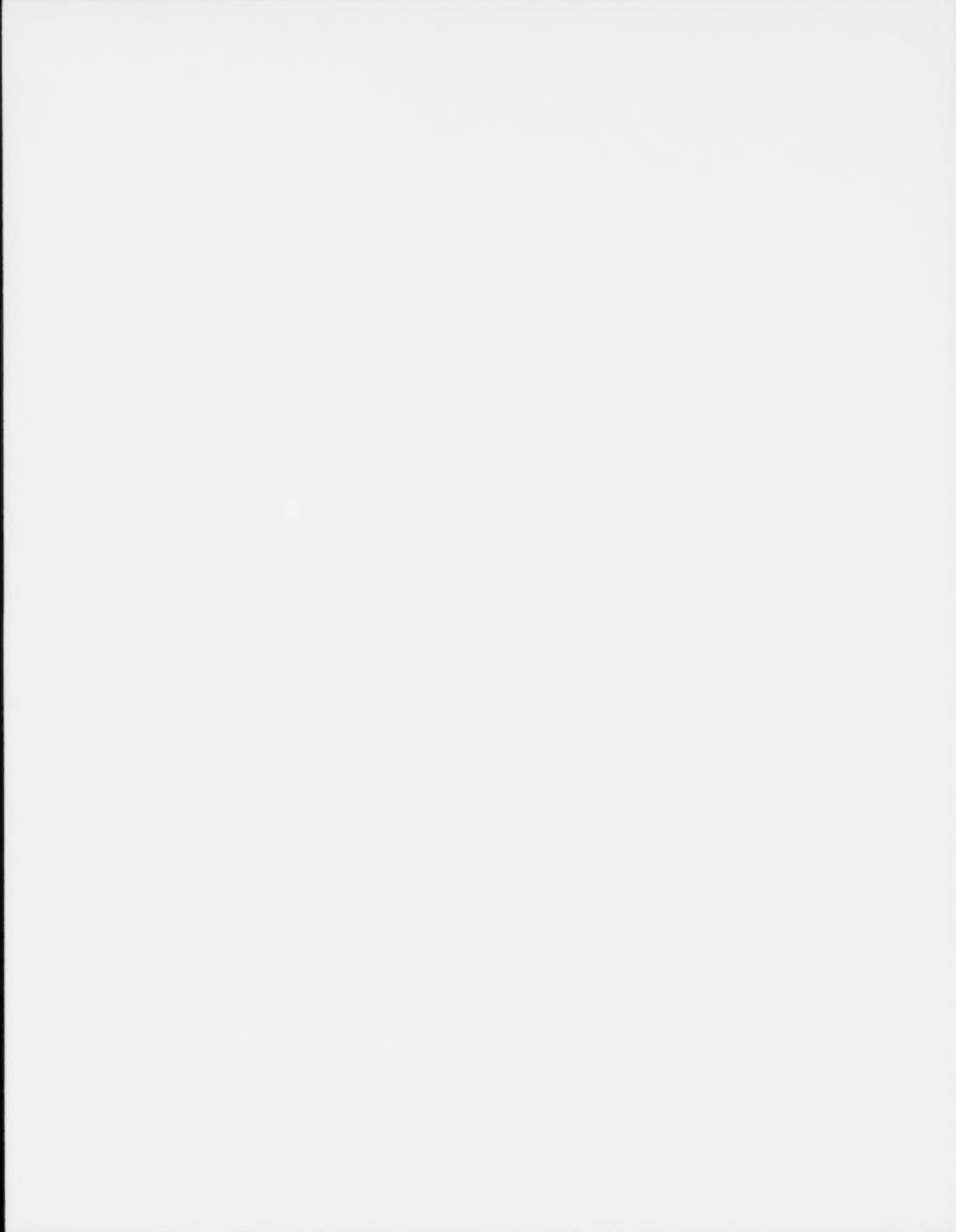
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SECTION I:

Overview



Minister of Canadian Heritage,
and Official Languages



Ministre du Patrimoine canadien,
et des Langues officielles

Ottawa, Canada K1A 0M5



As Minister of Canadian Heritage and Official Languages, I am pleased to present the Canadian Radio-television and Telecommunications Commission's (CRTC) *Departmental Performance Report* for 2007–2008. The report outlines the important achievements of the CRTC over the last fiscal year and demonstrates how it continues to fulfill its mandate.

As the activities highlighted in the report show, the CRTC is at the forefront of the international community of communications regulators. With its mandate to oversee broadcasting and telecommunications, it is well positioned to deal with the technological developments that have brought these industries even closer together over the past year. Canadians were able to enjoy a growing number of broadcasting services in both official languages and in a number of other languages as well. Many of these services featured the talents of Canadian creators. In addition, nearly every Canadian home has access to advanced telecommunications services, including wireless and high-speed Internet services.

As a Canadian Heritage Portfolio agency, the CRTC has helped create a more prosperous Canada in which Canadians of all generations and all backgrounds can take part in the rich social, cultural, and economic life this country has to offer.

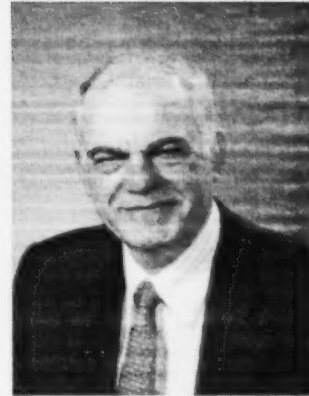
The Honourable James Moore
Minister of Canadian Heritage and Official Languages

Canada



Chairman's Message

I am pleased to present the Canadian Radio-television and Telecommunications Commission's (CRTC's) *Departmental Performance Report* for 2007–2008. This report highlights what has not only been an exceptionally busy year at the CRTC, but also the first of my term as Chairman.



The CRTC pursued four priorities last year. First, the CRTC emphasized the promotion and protection of Canadian culture. This directive was focused in our minds as we reviewed the CRTC's policies for conventional television broadcasters. These broadcasters make significant contributions to Canadian culture through the production, acquisition and broadcast of high-quality Canadian programming. In May 2007, we introduced measures that will enable them to continue fulfilling this important role within a rapidly changing environment.

Second, the CRTC reviewed five major transactions involving some of the country's largest media companies. We established new benchmarks by issuing these decisions in a timely fashion and, in some instances, imposed stringent conditions to ensure that control of Canada's media companies remained in Canada. At the same time, the CRTC developed new rules to preserve the diversity of voices in the Canadian broadcasting system, particularly in today's era of convergence.

Third, the CRTC continued to implement the government's policy direction to rely on market forces as much as possible under the *Telecommunications Act*. Healthy competition between cable and telecommunications companies has allowed the CRTC to lift its regulation of local telephone service in communities across the country.

Finally, we deregulated, as of 2012, 121 wholesale telecommunications services, which are provided by established companies to their competitors.

I have highlighted some of the many activities undertaken by the CRTC over the past year. These achievements, and others outlined in this report, demonstrate our commitment to developing a modern regulatory framework that contributes to Canada's social, cultural and economic prosperity. I look forward to working closely with the CRTC's dedicated staff and Commissioners to meet the challenges that await us in the year ahead.

A handwritten signature in dark ink, appearing to read 'K. von Finckenstein'.

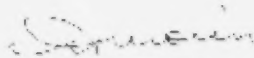
Konrad von Finckenstein, Q.C.

Management Representation Statement

I submit, for tabling in Parliament, the 2007–2008 Departmental Performance Report (DPR) for the Canadian Radio-television and Telecommunications Commission (CRTC).

This document has been prepared based on the reporting principles contained in the *Guide for the preparation of Part III of the 2006-2007 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*:

- It adheres to the specific reporting requirements outlined in the Treasury Board Secretariat guidance;
- It is based on the department's strategic outcomes and Program Activity Architecture that were approved by the Treasury Board;
- It presents consistent, comprehensive, balanced and reliable information;
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- It reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.



Robert A. Morin, Secretary General

Raison d'être

The CRTC's challenge is to serve the public interest by maintaining a balance among the cultural, social and economic goals of the legislation on broadcasting and telecommunications, taking into account the wants and needs of Canadians.

Like most organizations, the CRTC does not work in isolation. Environmental factors over which it has little or no control, such as the state of the economy, capital markets, societal change and emerging technology, influence the CRTC's work, priorities and outcomes.

Four principles will govern the Commission's management of the regulatory process in the coming years:

- transparency
- fairness
- predictability, and
- timeliness.

Transparency means that the Commission will be as open as possible in its dealings with all the stakeholders, as far as the law permits. Everyone should see exactly what we are doing, and why, so that they understand how we function and how they can interact with us.

Fairness means that every matter that comes before us shall be handled with well-established, even-handed procedures that will lead us to a well-considered outcome.

Predictability means that when we make decisions, we will follow a clear direction and will be consistent. And if we depart from our direction, we have to explain why, and specify whether this departure is an exception or a change in course.

Timeliness is a concept that means we should make our decisions as quickly as we can in a responsible manner.

Broadcasting Environment

Canada's broadcasting system is one of the most open and advanced in the world, both technologically and in terms of programming variety. Canadians enjoy a vast array of radio and television services that offer a wide range of international and domestic programs. The broadcasting system has also benefited from the contributions of private, public and community broadcasters, each of whom has played a distinct and important role in its evolution.

More than just open and advanced, Canada's state-of-the-art broadcasting system also:

- gives Canadians access to hundreds of broadcasting services regardless of where they live in Canada
- offers an increasing array of niche programming, as a result of unprecedented growth in specialty television services
- is poised to fully adopt digital broadcasting technology
- delivers broadcasting services throughout the country in both official languages
- makes important cultural and economic contributions to Canada, and
- has grown into a multi-billion dollar industry that employs a wide variety of people, from artists, writers and actors to technicians and engineers.

The above successes notwithstanding, the Commission fully recognizes that the broadcasting system faces significant challenges. Technological evolution, for example, has all but erased traditional broadcasting boundaries. As a result, broadcasters must now amend their business plans to continue to provide increased access to a wide variety of services from around the world, while also fostering a financially viable and culturally important Canadian broadcasting system. In this context, the Commission is working diligently to increase the number of Canadian programming services, as well as the availability of foreign-language services, to better serve the diversity of the Canadian population.

One of the most important aspects of the Commission's work is fulfilling the social and cultural objectives of the *Broadcasting Act*. The Commission must continue to regulate the broadcasting sector, to ensure the availability of quality Canadian programs and the accessibility of programming for all Canadians. Nevertheless, this regulation should be smarter and more efficient in order not to create obstacles to the broadcasting sector's economical development.

The Commission will continue to work collaboratively with the broadcasting industry to ensure that the business and cultural challenges ahead are successfully met.

Telecommunications Environment

Telecommunications is an important component of the social and economic fabric of Canada. It is universally available: more than 98% of Canadian households subscribe to landline or mobile phone service.

The Canadian telecommunications industry continued to grow in 2007, on the strength of increased demand for mobile-phone and Internet services. Competitors of the traditional telephone companies increased their share of total telecommunications revenues, including land-line and mobile-phone service revenues, to 41% in 2007.

Other characteristics of Canada's telecommunications environment include:

- some of the lowest-priced long-distance services in the world
- a healthy and competitive mobile-phone services market that experienced an 8% increase in subscribers and a 14% increase in revenues in 2007
- a competitive high-speed Internet services market that continues to grow (more than 94% of Canadian households can subscribe to broadband service and, in 2007, 69% did), and
- growth in local competition among telephone-service providers that saw cable companies and other non-traditional telephone-service providers capture 18% of local residential lines by the end of 2007.

In December 2006, the Governor-in-Council issued a policy direction to the CRTC that directed the Commission to rely on market forces to the maximum extent feasible as the means of achieving the policy objectives set out in the *Telecommunications Act*. At that time, the Commission estimated that 30% of telecommunications revenues were subject to economic regulation.

By March 31, 2008, approximately 71% of residential lines and 64% of business lines were free from economic regulation. Overall, approximately 90% of total telecommunications revenues come from unregulated services.

Policy Development and Research

In early 2007, the CRTC completed a reorganization to enable it to respond to the telecommunications and broadcasting industries' rapidly evolving technological, cultural, socio-economic and convergent landscapes. Under the new structure, the Policy Development and Research (PDR) sector is responsible for reviewing major ownership transactions, as well as the development of regulatory policy for conventional and new distribution platforms, including new media.

As noted above, the broadcasting industry, despite its current health, faces substantial challenges. These include the challenge of technological evolution, which has resulted in a truly global environment for television and for radio. New technologies have created new media. The emergence of new media, or the provision of audiovisual services delivered and accessed over the Internet or other non-traditional networks, has created a number of new challenges for the CRTC.

With respect to telecommunications, traditionally there have been two separate and independent landline networks in Canada that accessed Canadian homes: the local telephone network and the cable distribution network. The major cable companies have evolved their networks to deliver not only advanced cable services but telecommunications services as well, such as Internet access service and more recently local telephone service.

The PDR sector's responsibility is to provide strategic advice to the CRTC in an environment in which players in the telecommunications and broadcasting industries are at once converging within corporate and technological structures and fragmenting as audiences and customers take advantage of quickly multiplying choice.

SECTION II:

Analysis of Performance by Strategic Outcome

Summary Table for 2007–2008

Reason for Existence

The CRTC was established to sustain and promote Canadian culture and achieve key social and economic objectives. The Commission does this by regulating and supervising Canadian broadcasting and telecommunications in the public interest. In doing this, the CRTC is governed by the *Broadcasting Act* of 1991 and the *Telecommunications Act* of 1993.

The *Broadcasting Act* seeks to ensure, among other things, that all Canadians have access to a wide variety of high-quality Canadian programming.

The *Telecommunications Act* seeks to make affordable, high-quality telecommunications services accessible to all Canadians and ensure, among other things, increased reliance on market forces for the provision of telecommunications services and that regulation, where required, is efficient and effective.

Since 1928, when the Government of Canada created the first Royal Commission on Broadcasting, the government has sought to develop policies to keep pace with changing technology.

The CRTC is an independent public authority, reporting to Parliament through the Minister of Canadian Heritage.

Financial Resources

Planned Spending	Total Authorities	Actual Spending
\$45.8M	\$56.5M	\$55.6M

Human Resources

Planned	Actual	Difference
440 FTEs	414 FTEs	26 FTEs

Program Activities by Strategic Outcome

	Expected Results	Performance Status	2007-2008		Contributes to the Following Priority
			Planned Spending	Actual Spending	
Strategic Outcome: Broadcasting and Telecommunications industries that contribute to Canada's cultural, economic and social prosperity.					
Regulation and supervision of the Canadian broadcasting industry	Canadian content and programming that reflects Canadians Healthy broadcasting industry		\$23.5M	\$29M	Priorities No. 1, 2 and 3
Regulation and monitoring of the telecommunications industry	State-of-the-art technology at reasonable prices Competitive environment		\$22.3M	\$26.6M	Priorities No. 2 and 3
TOTAL			\$45.8M	\$55.6M	

Status of Performance: CRTC Priorities 2007–2008

Name	Type	Performance Status
1. Cultural Prosperity		
Linguistic Duality		
- Obligations pursuant to section 41 of the <i>Official Languages Act</i> ; three-year action plan posted on the CRTC's website.	Ongoing	Help foster the recognition and use of both English and French in Canada.
- Continue to support initiatives that encourage linguistic duality and assist the development of the English- and French-language minority communities.	Ongoing	Ensure and support the development of linguistic minority communities.
Cultural Diversity		
- Publish the Canadian Association of Broadcasters' (CAB) proposed Equitable Portrayal Code for comments in early fall 2007.	Ongoing	Established industry standards for the portrayal of ethno-cultural and Aboriginal groups and persons with disabilities. (Call for comments issued 27 July 2007, approved Code announced in Public Notice CRTC 2008-23, 17 March 2008)
- Publish CAB cultural-diversity best practices as approved by the CRTC. Expect CAB first annual report in June 2007. Require commercial radio broadcasters to adhere to the best practices.	Ongoing	Best practices will improve broadcasters' efforts to reflect diversity in their programming by building on successful measures already put forward by other broadcasters. (Adopted by CRTC in Public Notice CRTC 2007-122, 2 November 2007)

Implementation of the Commercial Radio Policy, 2006 Amend the Radio Regulations, 1986 - Convene a roundtable with the chief executive officers of the major radio groups to discuss the industry's proposed plan and implementation schedules for digital-radio broadcasting and related issues. - Continue to address market-entry issues. Meet with the CAB and other broadcasting groups in 2007 to discuss issues related to the confidentiality of financial information concerning stations in smaller radio markets. Address possible approaches to the issuance of calls for applications for new radio licences.	Final adoption will be completed in 2008–2009. Ongoing	Proposed amendments to implement the 2006 Commercial Radio and Digital Radio Policies were announced in Public Notice CRTC 2007-79, 12 July 2007. Was not convened. In May 2007, Industry Canada reviewed the use of the L-band for digital radio and advised that no broadcasting certificates would be issued. New service model that will likely use IBOC technology, and which may be adopted in Canada, is currently under development. Continued to address the licensing of new entrants on a case-by-case basis with a view to enhancing competition in the marketplace and ensuring that local markets can absorb additional radio undertakings. Met with the CAB's small-market radio committee and, beginning in 2008, agreed to publish annually the aggregate regional financial results of the small-market radio undertakings. Implemented the revised policy set out in Public Notice 2006-159, dated 15 December 2006, concerning the issuance of calls for radio applications and a new process for applications to serve small markets that was designed to introduce greater certainty into the call process.
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Review of certain aspects of the regulatory framework for over-the-air television - Complete the CRTC's review of its approach to closed captioning and issue conclusions in spring 2007. Implement policy through updated regulations and licence-renewal proceedings. - The CRTC intends to review its drama-incentive program annually and expects to evaluate the success of the program in the context of the licence renewals for major television licensees scheduled for 2008–2009.	Ongoing	Regulatory framework announced in Public Notice 2007-53, 17 May 2007. Updated regulations to implement the over-the-air regulatory framework announced in Public Notice 2007-98, 31 August 2007. New policy with respect to closed captioning issued in Public Notice 2007-54, 17 May 2007. Licence renewals have been rescheduled to 2009–2010. The issue of a fee for the distribution of over-the-air television signals was included in the review of regulatory frameworks for broadcasting undertakings and discretionary programming services for consideration at a public hearing in April 2008. (Notice of Public Hearing 2007-10-4).
Review of discretionary television services framework - Issue a public notice to initiate the formal phase of this review.	Ongoing	The process was announced in Notice of Public Hearing 2007-10, 5 July 2007, and began on April 8, 2008.
Review of the broadcasting distribution regulations - Issue a public notice to initiate the formal phase of this review.	Ongoing	The process was announced in Notice of Public Hearing 2007-10, 5 July 2007, and began on April 8, 2008.

2. Economic Prosperity		
Adapting to an evolving environment - Annual Broadcasting and Telecommunications Monitoring Report	Ongoing	Issued in July 2007.
Streamlining procedures in telecommunications and broadcasting - Complete process on proposed exemption of third-language Category 2 specialty undertakings. - Significant measures, which should be announced in 2007–2008, have been identified to streamline and expedite the review process of applications processed at public hearings. It is also expected that a public notice will be issued seeking comments on proposed service standards in this area.	Ongoing	Amended exemption order respecting cable broadcasting distribution undertakings (BDUs) that serve between 2,000 and 6,000 subscribers to permit exempted cable BDUs to offer community-channel programming. (Public Notice 2007-125, 14 November 2007). Eliminated remaining winback rules for cable BDUs as a means of further encouraging competition. (Public Notice 2007-111, 5 October 2007). Expanded policy on previews to provide distributors with greater flexibility to promote Canadian and non-Canadian programming services. (Public Notice 2007-74, 5 July 2007). The Commission has pledged to issue decisions on major ownership transactions scheduled at public hearings within 35 days of adjournment of the hearings. Further measures and service standards will be announced in 2008–2009.

Telecommunications streamlining processes and procedures	Ongoing	Significant progress has been made in streamlining telecommunications processes and procedures. These initiatives now identify clear steps, timelines and criteria that can be consistently relied on by telecommunications carriers and customers. The Commission issued Telecom Circular CRTC 2007-16, 11 June 2007, which provided an overview of the types of applications, their processes and the service standards for Parts II and IV applications.
Policy Direction - A directive from the Governor in Council (P.C. 2006-1534, 14 December 2006) requires that the CRTC achieve its policy objectives by relying on market forces to the maximum extent feasible. When there is still a need, regulation will be administered in a manner that is symmetrical and competitively neutral, and interferes as little as possible with the operation of market forces.	Ongoing	Following consultation with stakeholders, the CRTC developed a three-year action plan (Telecom Decision CRTC 2007-51, 11 July 2007). The Commission will implement the action plan according to schedule.

Local forbearance implementation - Increased competition and choice for the Canadian consumer through the deregulation of local telephone service.	Ongoing	By March 31, 2008, the CRTC had received 89 applications requesting forbearance from the regulation of residential local exchange services. CRTC has granted residential local forbearance in 394 exchanges, and business local forbearance in 130 exchanges.
Industry self-regulation - The Governor in Council's directive P.C. 2007-533, 4 April 2007, states that an industry-established consumer agency, independent from the telecommunications industry and with a mandate to resolve complaints from individual and small-business retail customers, should be an integral component of a deregulated telecommunications market.	Completed	In Telecom Decision CRTC 2007-130, 20 December 2007, the CRTC granted conditional approval to the structure and mandate of a new telecommunications consumer agency—the Commissioner for Complaints for Telecommunications Services Inc. The agency has been operational since July 2007.
Wireless-number portability - Wireless-number portability allows consumers to keep the same telephone number when changing between cellular service providers or between traditional wire-line and cellular services.	Ongoing	Since the launch of wireless-number portability, the CRTC Interconnection Steering Committee's Business Process Working Group has been updating and developing processes and procedures to improve number-porting processes.

Numbering - As telephone numbers are placed in service, there is a constant need to monitor the remaining supply of numbers and implement relief methods before an area code runs out of numbers.	Ongoing	The Commission issued several public notices in 2007 to address numbering issues in Canada: - relief planning in area code 418, Telecom Public Notice CRTC 2007-8, 28 May 2007 - relief planning in area code 613, Telecom Public Notice CRTC 2007-18, 12 October 2007 - relief planning in area code 250, Telecom Decision CRTC 2007-38, 7 June 2008 - relief planning in area codes 403 and 780, Telecom Decision CRTC 2007-42, 14 June 2007, and - relief planning in area code 418, Telecom Decision CRTC 2007-71, 13 August 2007.
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Deferral accounts - The expansion of broadband services to rural and remote communities will give more Canadians access to the Internet. The initiative will also improve accessibility to telecommunications services for persons with disabilities.	Completed	In 2007, the CRTC completed a public proceeding to review proposals submitted by several incumbent local exchange carriers (ILECs) to dispose of the funds remaining in their deferral accounts. In Telecom Decisions 2007-50 and 2008-1, the CRTC approved initiatives to expand broadband services and improve accessibility to telecommunications services for persons with disabilities. The Commission also determined that any funds remaining in the deferral accounts would be rebated to residential subscribers.
Price-cap framework - Price-cap regulation fixes the maximum prices that can be charged by service providers to customers for regulated telecommunications services.	Completed	In Telecom Decision CRTC 2007-60, 30 July 2007, as amended by Telecom Decision CRTC 2007-60-1, 10 August 2007, the CRTC established the current price-cap regime, which applies to the ILECs and Télébec Limited Partnership.

Framework for wholesale services - Public Notice CRTC 2006-14 was issued to consider a revised definition for “wholesale services”—the classifications and pricing principles for essential and non-essential services made available by ILECs, cable companies and competitive local exchange carriers to other competitors at regulated rates—and “essential services.”	Completed	Following an extensive proceeding, the Commission issued Telecom Decision 2008-17. The decision revised the definition of an essential service and created six categories of wholesale services.
Review of certain Phase II costing issues - The ILECs and cable companies produce regulatory economic studies based on Phase II costing principles to estimate individual service costs. These studies allow the CRTC to establish cost-based prices for regulated wholesale services and provide assurance that regulated retail services are priced above costs.	Completed	Following an extensive proceeding, the CRTC issued Telecom Decision CRTC 2008-14, 21 February 2008. The decision modified certain costing inclusions and methodologies used in regulatory economic studies.
Expedited proceedings and dispute-resolution in broadcasting - The CRTC intends to place greater emphasis on informal dispute resolution and the use of expedited hearings for broadcasting-sector disputes. - All of the existing dispute-resolution support provided by the CRTC will remain available.	Ongoing	During fiscal 2007–2008, there were 12 dispute-resolution requests: six formal and six informal. CRTC staff explored whether the disputes would be best resolved through an informal dispute resolution process and, if so, staff proceeded accordingly. None of the 12 broadcasting disputes proved amenable to dispute resolution using the CRTC’s expedited hearing process. One expedited hearing was conducted under the <i>Telecommunications Act</i>.

3. Social Prosperity

Accessibility initiatives in broadcasting

- In *Review of certain aspects of the regulatory framework for over-the-air television*, (Broadcasting Notice of Public Hearing CRTC 2006-5, 12 June 2006) the CRTC called for comments on ways to improve the accessibility of television programming for persons who are deaf or hard of hearing. The CRTC intends to issue its determinations on these matters in spring 2007.
- Since 2001, the CRTC has imposed conditions of licence on Canadian broadcasters requiring them to provide a certain amount of programming with described video. The CRTC intends to review the obligations of Canadian broadcasters in upcoming licence renewals.
- Complete a review of broadcasting distribution undertakings' fulfillment of their obligations to pass through the described-video programming provided by broadcasters in spring 2007, and determine any further steps at that time.

Ongoing

New closed-captioning policy issued on May 17, 2007.

Ongoing

The process is ongoing, although the majority of renewals for over-the-air and discretionary specialty programming services are scheduled for 2009–2010.

Completed

The review has been completed and determinations were announced on September 12, 2007. (Broadcasting Public Notice CRTC 2007-101).

National Do Not Call List - The establishment of the Unsolicited Telecommunications Rules framework and the National Do Not Call List will enable Canadians to reduce the number of telemarketing calls they receive, minimize inconvenience and nuisance caused by these calls, and increase their privacy.	Ongoing	During the past year, the CRTC released three decisions related to unsolicited telecommunications, each following a public proceeding: - The CRTC set out its determinations on the operation and administration of the National Do Not Call List (Telecom Decision 2007-47, 3 July 2007). - The CRTC established a comprehensive framework for unsolicited telemarketing calls and other unsolicited telecommunications received by consumers (Telecom Decision 2007-48, 3 July 2007). - Telecom Decision 2008-6, 28 January 2008, established the Commission's investigative powers with regard to complaints under the Unsolicited Telecommunications Rules.
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Digital and high-definition broadcasting - In 2007–2008, the CRTC will conduct a proceeding to implement changes to its regulations arising from Public Notice 2006-74 and from previous public notices dealing with the digital/HD transition. The CRTC also intends to initiate a further proceeding that will finalize the details of the framework to apply to the distribution of HD services.	Ongoing	The remaining details of the framework for the distribution of HD services will be finalized as part of the process to review the Broadcasting Distribution Regulations. This review was announced in Notice of Public Hearing 2007-10, 5 July 2007 and will begin on April 8, 2008. Changes to the regulations arising from Public Notice 2006-74 and from previous public notices dealing with the digital/HD transition will be included in the new Broadcasting Distribution Regulations resulting from this review.
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Summary of Departmental Performance

Broadcasting and Telecommunications Accomplishments

The following highlights the CRTC's key accomplishments for 2007–2008 in regulating and supervising the Canadian broadcasting industry and regulating and monitoring the telecommunication industry.

Broadcasting

Linguistic duality

Within the limits of its mandate under the *Broadcasting and Telecommunications Acts*, the CRTC supports initiatives that encourage linguistic duality, foster the recognition and use of both English and French in Canada and support and assist the development of the English and French linguistic minority communities.

During 2007–2008, one of the Commission's initiatives was the creation of an official-language minority community (OLMC) discussion group. This group enables the CRTC to understand the possible ramifications of its activities on the development of OLMCs, identify means for maximizing OLMC participation in CRTC public processes and take into account the needs and priorities of these communities in its decisions.

The group is composed of representatives from organizations across the country and met twice in 2007–2008. OLMCs can remain updated on the group's meetings—as well as other CRTC activities related to OLMCs—through a new, dedicated website.

Closed captioning

In *Review of certain aspects of the regulatory framework for over-the-air television* (Broadcasting Notice of Public Hearing CRTC 2006-5, 12 June 2006) the CRTC called for comments on ways to improve the accessibility of television programming for persons who are deaf or hard of hearing, and more specifically on the following areas:

- the appropriateness of adopting a requirement for the captioning of 100% of all television programming,
- the feasibility of captioning in languages other than English or French and the obligations that should be applied to services that broadcast in third languages, and
- proposals to address ongoing concerns about captioning quality, including the appropriateness of industry standards.

On May 17, 2007, the Commission announced a new policy with respect to closed captioning that applies to all television licensees. The policy's key determinations include:

- a requirement that all English- and French-language broadcasters caption 100% of their programs—with the exception of advertising and promos—over the broadcast day
- a recommendation that broadcasters—particularly those who broadcast in third languages that use the Western alphabet—make third-language programming more accessible and caption this programming whenever possible, and
- a call to the broadcasting industry to establish working groups for the development and implementation of measures to improve the quality of captioning in Canada, including the development of universal standards in English and French.

New digital specialty described-video programming service

In Broadcasting Decision 2007-246, the Commission approved an application by the National Broadcast Reading Service (NBRS) to provide The Accessible Channel, a specialty service that will offer a 24-hour, 100% open-format, described-video service. The channel will provide news, information, drama, entertainment and other programming to blind and visually impaired Canadians.

Recognizing the limited supply of described programming, the pass-through problems experienced by many broadcasting distribution undertakings (BDUs) and user problems with accessing digital video, the Commission considered that the programming proposed by NBRS would offer an immediate and fully accessible means by which the objective set out in section 3(1)(p) of the *Broadcasting Act* could be fulfilled and would, thus, be of exceptional importance to fulfilling the objectives of the Act. Accordingly, the Commission granted mandatory distribution status to the service under section 9(1)(h) of the *Broadcasting Act*.

Regulatory framework for over-the-air television

On May 17, 2007, the Commission announced measures to enable the over-the-air (OTA) television sector to further the objectives set out in the *Broadcasting Act*, while ensuring that the sector is able to operate effectively in a rapidly changing and increasingly competitive communications environment.

The Commission's key determinations, as set out in Public Notice 2007-53, include:

- an increase in the number of advertising minutes that OTA television stations may broadcast from the 12-minute per-hour limit on traditional advertising to 14 minutes per hour in peak-viewing periods effective September 1, 2007, to 15 minutes per hour for all viewing periods effective September 1, 2008, and, effective September 1, 2009, to no limit,

- a requirement that television licensees broadcast only digital OTA signals after August 31, 2011, although exceptions may be made in northern and remote communities where analog transmissions will not cause interference, and
- an examination, at the time of licence renewal, of licensees' Canadian programming expenditure plans and exhibition commitments.

A major issue of the television policy proceeding was the possibility of permitting OTA television stations to charge broadcasting distribution undertakings a fee for the distribution of their signals. In its determinations, the Commission stated that it would not adopt a fee-for-carriage because it was not convinced that a case had been made for such a fundamental change to the revenue structure of the broadcasting system at this time.

As requested by various parties, the Commission will reconsider this issue within the broad context of the *Review of the regulatory frameworks for broadcasting distribution undertakings and discretionary programming services* (see Broadcasting Notice of Public Hearing 2007-10-3, 5 November 2007).

The Commission expects to announce its decision in the fall of 2008.

Implementation of the Commercial Radio Policy

In the 2006 Commercial Radio Policy (Broadcasting Public Notice 2006-158), the Commission concluded that radio broadcasters should broadcast selections by emerging Canadian artists and promote these artists in their applications for new licences, licence renewals and transfers of ownership or control of radio stations. The applications would be assessed on a case-by-case basis, providing broadcasters with the flexibility to tailor their commitments with respect to emerging artists to the musical formats that they offer. The Commission might then decide to impose these as conditions of licence following the public process.

After the release of the 2006 Commercial Radio Policy, the Commission revised its application forms to include questions concerning the airing of the music of emerging artists. The new forms invite applicants to propose a definition of an emerging artist that would be appropriate for their musical format. Discussions with individual applicants about the promotion and airplay of emerging artists ensued at some public hearings, usually in relation to applications for new licences, but occasionally also in the context of transfers of ownership and licence renewals. However, the lack of a commonly accepted definition or definitions limited the discussions. In no case have commitments been imposed as conditions of licence.

The Commission considered that a common definition of emerging Canadian artists is required and initiated a process to adopt definitions of emerging artists that is appropriate for French- and English-language talent and informed by industry and stakeholder input (Broadcasting Public Notice 2008-16, 27 February 2008).

To assist interveners in their consideration of this matter, the Commission also published a report—*Emerging Canadian Artists on Commercial Radio*—which details the actual

broadcasting of emerging artists' music according to nine definitions of the term that are based on music industry charts.

The Commission expects to complete this process in the fall of 2008.

Review of the regulatory frameworks for broadcasting distribution undertakings and discretionary programming services

The CRTC officially announced this proceeding on July 5, 2007, and established three objectives for the comprehensive reviews:

- develop forward-looking regulatory frameworks that are strategic, straightforward, flexible and equitable,
- ensure a strong Canadian presence in the broadcasting system in the form of distinct and diverse Canadian programming and services, and
- recognize the increasing autonomy of audiences and consumers, providing them with the greatest possible choice of services at affordable prices.

The Commission set out the substantive issues to be addressed in written submissions. To further assist in the process, it also placed on the record an independent study of CRTC broadcasting rules and regulations that was conducted by Laurence Dunbar and Christian Leblanc. The Dunbar-Leblanc Report set out an examination of the rules and regulations in light of their original purpose and made recommendations on continued relevancy, streamlined alternatives or elimination. Other studies were also placed on the public file.

The Commission subsequently expanded the scope of the proceeding to include consideration of a fee-for-carriage for over-the-air television signals and issues related to distant signals. In this context, the original written portion of the proceeding was extended from November 5, 2007, to February 22, 2008, and the public hearing originally scheduled to commence on January 28, 2008, was rescheduled to start on April 8, 2008. Three weeks have been set aside for this oral phase.

The Commission received 250 submissions from individuals, consumer groups, broadcasters, distributors and industry associations (in addition to 1,120 from letters in comment). Sixty-seven parties are scheduled to appear at the public hearing. The CRTC expects to announce its new frameworks in the fall of 2008.

New activities

The CRTC added the following major proceedings to its work plan in 2007–2008:

Canadian Television Fund

The CRTC created a task force on the Canadian Television Fund (CTF) in the last quarter of 2006–2007 to examine issues related to the funding of Canadian programming and the governance of the Fund. The task force recommended certain

measures to improve the funding of Canadian programs, increase the CTF's effectiveness and efficiency and enhance the participation of broadcasting distribution undertakings in the CTF.

A written proceeding followed the publication of the task force's report. The Commission invited comments on the task force's recommendations and proposed implementation schedule (Broadcasting Public Notice 2007-70). An oral hearing phase began on February 4, 2008.

The Commission expects to release its report in the spring of 2008.

Diversity of voices

On April 13, 2007, the CRTC launched a public proceeding to conduct a comprehensive review of its policies with respect to diversity of voices. The overall objective of this review was to ensure that the broadcasting system provides Canadians with the greatest possible diversity of voices including editorial voices; and that the CRTC's policies in this regard take into consideration the increasing integration of all elements of the system (Broadcasting Notice of Public Hearing 2008-4).

At the same time, to ensure journalistic independence in broadcasting entities belonging to companies that own both electronic and print media, the Commission invited comments on a code prepared by the Canadian Broadcast Standards Council (CBSC), to which CBSC member broadcasters must adhere. (Broadcasting Public Notice CRTC 2007-41)

The CRTC held its public hearing on diversity of voices during the week of September 17, 2007, and announced its new approach to media ownership on January 15, 2008 (Broadcasting Public Notice 2008-4). The highlights of the new diversity of voices policies can be summarized as follows:

- The Commission is satisfied that the broadcasting system currently provides Canadians with a range of news and information programming. For this reason, it reaffirmed its existing policies governing the number of conventional television and radio stations a person may control in the same market.
- To maintain a plurality of editorial voices, the Commission has established a new policy restricting cross-media ownership. As a result, a person or entity will only be permitted to control two of the following types of media that serve the same market: a local radio station, a local television station or a local newspaper.
- The Commission recognized that the trend toward greater consolidation in the broadcasting industry has raised concerns that a large ownership group could achieve a dominant position through acquisitions, which could bring

about a reduction in the diversity of local, regional and national content. To address these concerns, the Commission decided to:

- impose limits on the ownership of broadcasting licences to ensure that one party does not control more than 45% of the total television audience share as a result of a transaction, and
- not approve transactions between companies that distribute television services (such as cable or satellite companies) that would enable one person to effectively control the delivery of programming in a single market.

In addition, the Commission has conditionally approved the CBSC's proposed Journalistic Independence Code. The Commission directed the CBSC to include a minimum number of journalists on the panels that study complaints and formalize the process used to select panel members. The principles set out in the Code will ensure a diversity of professional editorial voices and will eventually apply to all broadcasters who own newspapers in a single market. (Broadcasting Public Notice 2008-5)

Major ownership transactions and accelerated service delivery

In 2007–2008, the Commission held five public hearings 2007–2008 to consider major ownership transactions in the broadcasting industry: CTVglobemedia Inc.'s purchase of CHUM, Astral Media Radio G.P.'s acquisition of Standard Radio Inc. television and radio stations, Rogers Media Inc.'s acquisition of Citytv stations, CanWest Mediworks Inc.'s acquisition of Alliance Atlantis broadcasting companies and the purchase of BCE by Ontario Teachers' Pension Plan.

The CRTC committed to issuing decisions on these transactions within 35 days of the adjournment of the public hearing. This objective has been met and surpassed.

Appeal of 9(1)h) decision

In Broadcasting Decision 2007-246, the Commission approved in part an application by Avis de Recherche inc. for the Category 2 specialty service known as Avis de Recherche. The application requested that the service be designated for mandatory distribution by all direct-to-home satellite distribution undertakings and all Class 1 and Class 2 broadcasting distribution undertakings, excluding multipoint distribution undertakings, as part of their basic digital services in the province of Quebec.

After the Commission issued this decision, the Governor-in-Council received petitions requesting that the decision be referred back to the Commission for reconsideration, and issued Order in Council P.C. 2007-1604. In requesting a reconsideration of the decision, the Order in Council indicated that Avis de Recherche's conditions of licence should encourage the attainment of the objectives of the broadcasting policy set out in section 3 of the *Broadcasting Act*.

The Commission announced the process to reconsider the decision in Broadcasting Public Notice 2007-134, 23 November 2007. The CRTC rendered a decision on January 21, 2008 (Broadcasting Decision 2008-12) and confirmed its approval of the mandatory nature of the Avis de Recherche service in the province Quebec. As a result of this process, the Commission also approved an amendment to the broadcasting licence for Avis de Recherche to require the licensee of the service to expend on the acquisition of and/or investment in Canadian programs a minimum of 43% of the gross revenues derived from the operation of this service during the previous broadcast year.

Competitive applications to serve various regions of the country

The Commission holds public hearings on competitive applications for radio or television services when it receives an application that will subsequently trigger a call for applications.

In 2007–2008, the CRTC held public hearings to consider competitive radio applications to serve the following markets: Sydney, Nova Scotia; Montréal, Quebec; Kelowna, British Columbia; Owen Sound, Windsor and Peterborough, Ontario; and Chilliwack and Vancouver, British Columbia.

The Commission also held a public hearing to consider two applications for the provision of high-definition over-the-air television services, one of which would offer service in various locations across the country and the other the Greater Toronto area. A decision in this regard is expected in early spring 2008.

Telecommunications

Policy Direction

A directive from the Governor in Council, *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives*, P.C. 2006-1534, 14 December 2006, requires that the CRTC achieve its policy objectives by relying on market forces to the maximum extent feasible. When there is still a need to regulate, the directive indicates that regulation should be delivered in a manner that is symmetrical and competitively neutral, and that interferes as little as possible with the operation of market forces.

Following consultation with stakeholders, the CRTC developed a three-year action plan for reviewing various economic regulatory measures in light of the directive (Telecom Decision 2007-51). During the past year, the implementation of this action plan has resulted in streamlined regulatory measures for service bundles, market trials, customer notification for contract renewals and service de-standardization or withdrawal.

In January 2008, the CRTC issued a public notice (Telecom Public Notice 2008-1) calling for comments to identify, prioritize and develop an action plan for the review of various social and other non-economic regulatory measures in light of the Governor-in-Council's directive. The proceeding has concluded and the Commission expects to issue an action plan in April 2008 to review these measures.

Local forbearance implementation

On April 6, 2006, the CRTC issued Telecom Decision 2006-15, which established a framework for assessing applications from the incumbent local exchange carriers for forbearance from the regulation of local exchange services. This decision was modified by the Governor in Council in *Order Varying Telecom Decision CRTC 2006-15*, P.C. 2007-532, 4 April 2007. The modified framework assesses market forces by the level of competitor presence in an area prior to granting forbearance.

By March 31, 2008, the CRTC had received 89 applications requesting forbearance from the regulation of residential local exchange services in 535 exchanges and from the regulation of business local exchange services in 412 exchanges. As a result of these applications, the CRTC has granted residential local forbearance in 394 exchanges, or 71% of all residential network access services (NAS), and business local forbearance in 130 exchanges, or 64% of all business NAS. The CRTC found that local-exchange services in these exchanges are subject to a level of competition sufficient to protect the interests of users of these services.

Industry self-regulation

On December 20, 2007, the CRTC issued Telecom Decision 2007-130, which granted conditional approval to the structure and mandate of a new telecommunications consumer agency: the Commissioner for Complaints for Telecommunications Services Inc. (CCTS). The CRTC directed all service providers with annual domestic telecommunications service revenues of more than \$10 million to become CCTS members. The CCTS has operated since July 23, 2007, and does not charge for its services.

The CCTS is an example of how the telecommunications industry can regulate itself efficiently and effectively. It provides residential and small-business customers with an effective, accessible and consumer-friendly recourse when they are unable to resolve disagreements with their service providers. As a self-regulating body, the CCTS has the authority to develop and approve industry-related codes of conduct and standards. The organization will also identify and report to the CRTC on industry trends and issues and publish an annual report on the nature, number and resolution of complaints received for each member company.

Wireless-number portability

On March 14, 2007, wireless-number portability was launched across Canada. Wireless number portability enables consumers to keep the same telephone number when changing between cellular service providers or between wire-line and cellular services.

Since the launch of wireless-number portability, the CRTC's Interconnection Steering Committee's Business Process Working Group has updated and developed processes and procedures to facilitate and improve number-porting processes.

Numbering

As telephone numbers are placed in service, there is a constant need to monitor the remaining supply of numbers and implement relief methods before an area code runs out of numbers.

On March 14, 2007, the CRTC issued two public notices (Telecom Public Notices 2007-8 and 2007-18) to establish committees that would make recommendations regarding the various code relief options available for area codes 418 and 613.

Relief planning measures were also put in place for three additional area codes:

- in British Columbia, 10-digit local dialing was introduced in area code 250 in July 2007 and boundaries in area code 778 will be realigned in September 2008 to provide additional relief for area code 250,
- in Alberta, a new area-code overlay will be implemented in September 2008 to provide additional relief for area codes 403 and 780, and
- in Quebec, a new area code overlay will be implemented in October 2008 to provide additional relief for area code 418.

Deferral accounts

In 2007, the CRTC completed a public proceeding to review proposals submitted by several ILECs to dispose of the accumulated funds—totaling approximately \$650 million—remaining in their deferral accounts.

In Telecom Decisions 2007-50 and 2008-1 the CRTC approved initiatives to improve accessibility to telecommunications services for persons with disabilities in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec. The CRTC also approved funding to expand broadband service to more than 350 rural and remote communities in British Columbia, Alberta, Manitoba, Ontario and Quebec. Finally, the CRTC determined that any funds remaining in the deferral accounts would be rebated to residential subscribers living in urban areas in these provinces.

These determinations, with the exception of the initiatives to improve accessibility, are currently the subject of appeals to the Supreme Court of Canada and to the federal cabinet.

Price-cap framework

Price-cap regulation places a ceiling on the prices that an ILEC can charge its customers for various regulated telecommunications services. The price-cap regime includes other rules that govern the local rates charged to residential and business customers. Price-cap regulation ensures that customers continue to have access to fair and reasonable rates, while at the same time providing ILECs with incentives to improve efficiency and introduce network and service innovations.

In 2007 the CRTC established the current price cap regime, which applies to the ILECs and Télébec Limited Partnership.

Framework for wholesale services

On November 9, 2006, the CRTC issued Telecom Public Notice 2006-14 to consider revised definitions for essential services and wholesale services. The proceeding had been contemplated by the government's Policy Direction, which directed the CRTC to complete a review of its regulatory framework for mandated access to wholesale services.

The proceeding, which included written and oral components, concluded with the release of Telecom Decision 2008-17. In that decision, the CRTC revised the definition of an essential service, which it had first adopted in 1997, and set out a new regulatory framework for wholesale services. The framework delineated six categories of wholesale services and specified the pricing principles to apply to each category. Based on this framework, the CRTC assigned hundreds of individual tariffs to their appropriate categories. As part of this process, the CRTC determined that 121 individual tariffs were non-essential and that it would not regulate them after a specified period.

Review of certain Phase II costing issues

The ILECs and cable companies produce regulatory economic studies based on Phase II costing principles to estimate individual service costs. These studies allow the CRTC to establish cost-based prices for regulated wholesale services and provide assurance that regulated retail services are priced above costs.

On February 21, 2008, following a public proceeding to review certain Phase II practices, the CRTC issued Telecom Decision CRTC 2008-14. In this decision, the Commission determined the appropriate expense inclusions and methodologies for estimating causal expenses, as well as appropriate asset lives, to be used in regulatory economic studies. Further, the CRTC established the framework for the development and use of a common manual with company-specific appendices. Through this review, the CRTC has ensured a consistent application of Phase II costing principles and cost inclusions across the ILECs and cable companies.

Streamlined telecommunications processes

In 2005, the CRTC began to streamline its telecommunications processes and procedures. In response to stakeholders' comments, the CRTC issued three circulars that identified the streamlined process for retail tariff filings and set out new procedures and service standards. This initiative provided the ILECs with greater regulatory certainty by identifying clear steps, timelines and criteria that could be consistently relied upon by customers and telecommunications carriers.

These streamlining initiatives have been successful, as demonstrated by the CRTC's performance reports issued since fiscal year 2005–2006.

In 2007, the CRTC further reduced the regulatory burden on the industry through a series of forbearance decisions. For example, competitive local-exchange carriers no longer need to file interconnection agreements that are based on CRTC-approved model agreements and ILECs no longer need to file tariffs for promotions that meet specified criteria.

Telemarketing—National Do Not Call List

During the past year, the CRTC released three decisions related to unsolicited telecommunications, each following a public proceeding.

In Telecom Decision 2007-47, the CRTC set out its determinations on the operation and administration of the National Do Not Call List (DNCL).

In Telecom Decision 2007-48, the CRTC established a comprehensive framework for unsolicited telemarketing calls and other unsolicited telecommunications received by consumers. This framework includes rules for the National DNCL as well as rules regarding telemarketing and automatic dialing-answering devices—Unsolicited Telecommunications Rules.

In Telecom Decision 2008-6, the CRTC determined that investigations of alleged violations of the Unsolicited Telecommunications Rules would be delegated to a third party who would charge telemarketers fees for exercising these investigation powers. This decision also stated that the CRTC would retain enforcement powers.

The CRTC issued a request for proposals (RFP) to procure an operator for the National DNCL and another RFP for a complaints investigator delegate. On December 21, 2007, the CRTC awarded a five-year contract to Bell Canada to develop and operate the National DNCL. The CRTC and Bell Canada immediately started work to implement the National DNCL by September 30, 2008. The RFP for the complaints investigator delegate closed on March 25, 2008. The CRTC received no compliant bids and will assess other options for conducting investigations.

The establishment of the Unsolicited Telecommunications Rules framework and the National DNCL will enable Canadians to effectively reduce the number of telemarketing

calls they receive, which will increase their privacy and reduce inconvenience and nuisance caused by such calls.

Policy Development and Research

In early 2007, the Commission created the Policy Development and Research (PDR) sector to respond to the rapidly evolving technological, cultural, socio-economic and convergent landscape of the telecommunications and broadcasting industries. The PDR sector is responsible for the development of regulatory policy for conventional and new distribution platforms, including new media, as well as major ownership transactions.

In 2007, to ensure that the Canadian broadcasting and telecommunications policies and regulations were responsive to Canadians' needs, the CRTC continued to:

- examine closely the Canadian broadcasting and telecommunications marketplace,
- benchmark with international partners,
- understand consumer needs, and
- conduct strategic research in collaboration with the industry, academia and other stakeholders.

In 2007–2008, the CRTC commissioned a wide array of analysis and research to support its decision-making processes with respect to new technologies, market conditions, audiences, competitive environment and ownership issues.

The Commission also published two reports. The first, the *Broadcasting Policy Monitoring Report*, is part of an ongoing annual assessment of the impact of regulations, policies and decisions on the achievement of the objectives of the *Broadcasting Act*. The report was issued on July 31, 2007, and is intended to help foster a more open and better-informed public discussion of broadcasting policy in Canada. The latest edition updated performance measurements and trend indicators set out in previous reports.

The Commission's second report, the *Telecommunications Monitoring Report*, is also intended to foster an open and better-informed public discussion of telecommunications policies and issues. This report provides a window on the telecommunication industry through which the CRTC can assess the extent to which its determinations are achieving the policies and objectives set out in the *Telecommunications Act*.

New Media Project Initiative

Through the New Media Project Initiative, the Commission continued to analyze the impact of new broadcasting technologies on the achievement of the policy objectives of the *Broadcasting Act*. The CRTC completed the first and second validation phases of this project in anticipation of publishing a summary of its findings in mid-2008 and of holding a public hearing in early 2009. In both of these phases, the CRTC engaged industry and stakeholders through informal consultation and roundtables, conducted

primary and secondary research that included commissioning studies, and validated findings with stakeholders.

Digital Radio Broadcasting roundtable

In June 2007, the CRTC convened a round table with chief executive officers of the major radio groups to discuss the industry's proposed plan and implementation schedules for digital-radio broadcasting and related issues.

Major acquisitions

In 2007–2008, the CRTC completed reviews and issued approvals for five major industry acquisitions: the acquisition of the assets of the radio and television undertakings of Standard Radio Inc. by Astral Media Radio (Toronto) Inc. and 4382072 Canada Inc. the transfer of effective control of Alliance Atlantis Broadcasting Inc.'s broadcasting companies to CanWest MediaWorks Inc., the transfer of effective control of CHUM Limited to CTVglobemedia Inc., the transfer of effective control of CHUM Limited's subsidiaries to Rogers Media Inc., and the transfer of effective control of BCE Inc. and its licensed undertakings to a corporation controlled by Ontario Teachers' Pension Plan Board. These approvals were granted following public hearings.

Reducing reporting burden

In 2007–2008, the CRTC signed a memorandum of understanding with Statistics Canada to streamline the annual collection of data from the telecommunications industry. Under the memorandum, the two organizations' respective annual telecommunications surveys have been harmonized to further reduce the regulatory burden on the industry and make the data-collection process more efficient for both government and industry. Companies will be required to fill out only one annual telecommunications survey and submit their data through a single point of contact: the CRTC's web-based data-collection system. This data will then be shared with Statistics Canada and the necessary safeguards to protect the confidential nature of this information will be respected.

Modernization of Human Resources

The CRTC continues to use the government's initiative to modernize human resources, streamline its recruiting and staffing processes and maximize the flexibility it has under the new legislation to attract, recruit and develop the talent and expertise it needs to meet its business and human resource priorities.

For example, the CRTC successfully completed its first post-secondary recruitment campaign in 2007–2008 and made offers to 19 university graduates. The CRTC also completed collective staffing activities for the CO and IS groups, as well as for administrative assistants to create pools of qualified candidates and streamline staffing activities for these groups.

SECTION III:

Supplementary Information

CRTC Organization Chart

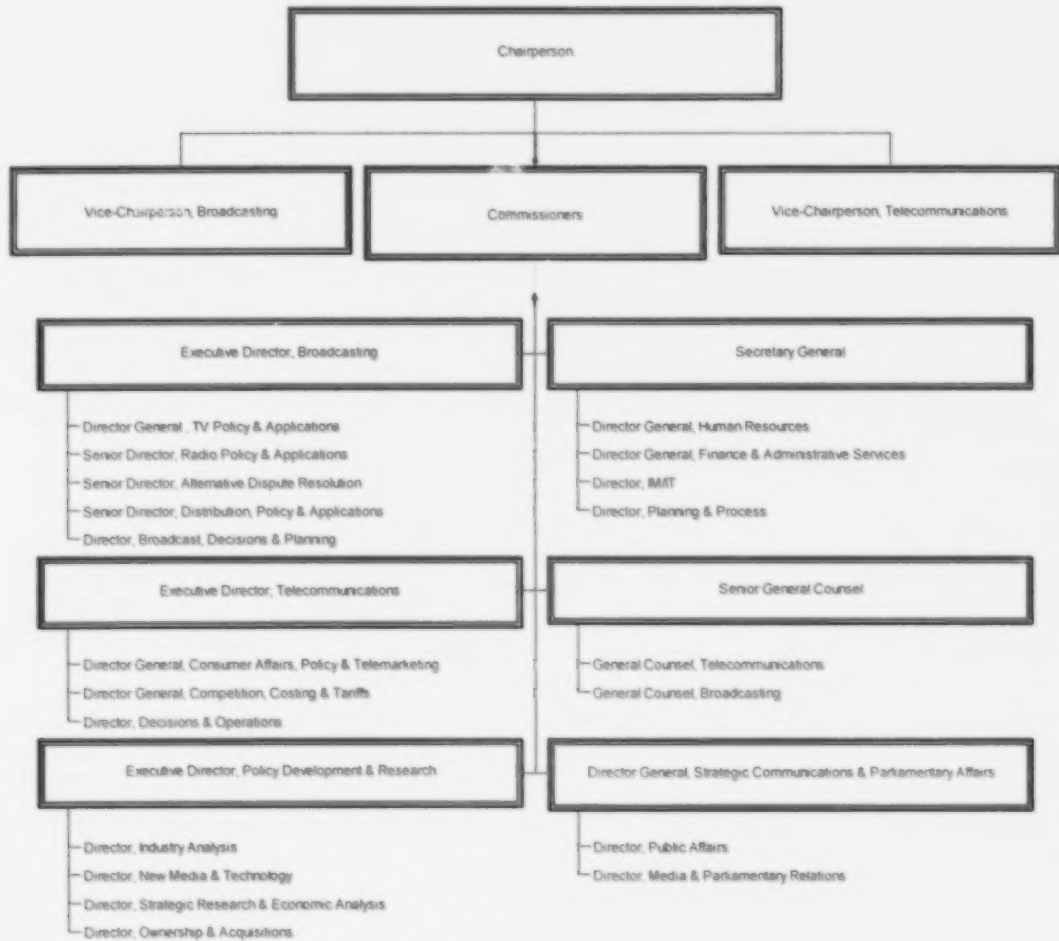


Table 1: Comparison of Planned to Actual Spending

(S millions)	2005-2006	2006-2007	2007-2008			
	Actual	Actual	Main Estimates	Planned Spending	Total Authorities	Actual
Regulation of Communications in the Public Interest	46.5	47.6	45.9	45.8	56.5	55.6
Less: Respendable Revenue (note 1 & 2)	38.6	39.9	40.2	40.1	40.2	40.2
Net Expenditures	7.9	7.7	5.7	5.7	16.3	15.4
Adjustments:						
Supplementary Estimate						
Operating Budget Carry Forward				1.1		
Compensation adjustments				0.2		
Funding to address the increased workload in delivering on legislative and regulatory responsibilities (note 3)				8.0		
Employee Benefits Plan (EBP)				0.4		
Total Net Expenditures	7.9	7.7	5.7	15.4	16.3	15.4
Less: Non-Respendable revenue (note 2)	123.1	135.9	-	14.0	16.0	16.0
Plus: Cost of services received without charge (note 4)	15.5	15.2	-	15.7	15.3	15.3
Net cost (note 5)	(99.7)	(113.0)	5.7	17.1	15.6	14.7
Full-Time Equivalents (note 6)	396	409	-	440	-	414

Note 1 The CRTC has vote-netting authority. Vote-netting is a means of funding government programs or activities whereby Parliament authorizes a department or agency to apply revenues towards costs directly incurred for specific activities. The Part I broadcasting licence fees and the telecommunications fees are used to finance the Commission's operating budget.

Note 2 For more information on CRTC revenues, refer to the section entitled "Explanation of Revenue".

Note 3 In November 2007, Treasury Board approved a two-year increase to the Commission's budget for fiscal years 2007-2008 and 2008-2009. The full cost of this resource request including EBP and PWGSC accommodation factors is \$8.5M (\$4.5M Broadcasting, \$4M Telecommunications) for 2007-2008 and \$10.4M (\$5.5M Broadcasting, \$4.9M Telecommunications) for 2008-2009. The Commission's actual expenses associated with this resource increase are recovered as part of the annual billing adjustments for telecommunication industry in 2008-2009 and 2009-2010 and for broadcasting-licence fee payers in 2009-2010 and 2010-2011.

Note 4 The costs of services provided by other departments includes: the regulation of the Broadcasting Spectrum by Industry Canada, the accommodation provided by Public Works and Government Services Canada, the employer's share of employees' insurance premium paid by Treasury Board Secretariat and Workers' Compensation paid by Human Resources and Social Development Canada.

Note 5 Brackets indicate that the revenue received exceeds the gross costs of program.

Note 6 Full time equivalents (FTEs) reflect the human resources that the CRTC uses to deliver its program and services. The number is based on a calculation that considers full-time, part-time, term and casual employment. The CRTC is no longer required to control the number of FTEs it uses. Rather, CRTC manages a personnel budget within its operating expenditures and has the latitude to manage as needed. This data is included for information purposes only.

Table 2: Voted and Statutory Items

This table provides information regarding that portion of the Commission's budget that is funded through appropriations.

(\$ millions)		2007-2008			
		Main Estimates	Planned Spending	Total Authorities	Actual
Vote or Statutory Item	Canadian Radio-television and Telecommunications Commission				
40	Program expenditures			10.8	9.9
(S)	Contributions to employee benefit plans	5.7	5.7	5.5	5.5
	Total	5.7	5.7	16.3	15.4

Sources of Respendable and Non-Respendable Revenue

For supplementary information on the CRTC's Sources of Respendable and Non-Respendable revenue please visit: <http://www.tbs-sct.gc.ca/dpr-rmr/2007-2008/index-eng.asp>.

User Fee Act

For supplementary information on the CRTC's User Fees, please visit: <http://www.tbs-sct.gc.ca/dpr-rmr/2007-2008/index-eng.asp>.

Service Standards for External Fees

For supplementary information on the CRTC's Service Standards for External Fees, please visit: <http://www.tbs-sct.gc.ca/dpr-rmr/2007-2008/index-eng.asp>.

Travel Policies

The CRTC follows and uses the Treasury Board Secretariat (TBS) travel policies. This includes the TBS Special Travel Authorities and the TBS Travel Directive, Rates and Allowances.

Explanation of Revenue

The CRTC collects fees under the authority of the *Broadcasting Act* and *Telecommunications Act* and the regulations made pursuant to these Acts, namely the *Broadcasting Licence Fee Regulations, 1997* and the *Telecommunications Fee Regulations, 1995*. For fiscal year 2007–2008, the Part I broadcasting licence fees total \$28.1 million. The figure includes a \$1.6-million annual adjustment for the year 2005–2006 and is made up of \$20.7 million in respendable and \$7.4 million in non-respendable revenues. For the same period, telecommunications fees totalled \$26.1 million, including a \$1-million annual adjustment for the year 2006–2007. The \$26.1-million figure is made up of \$19.5 million in respendable and \$6.6 million in non-respendable revenues.

Broadcasting Licence Fees

Section 11 of the *Broadcasting Act* empowers the Commission to make regulations respecting licence fees. These regulations apply to all licensees other than those classes of undertakings specifically exempted under section 2 of the fee regulations. Every licensee subject to the regulations is required to pay a Part I and a Part II licence fee to the Commission annually. For 2007–2008 the CRTC collected a total of \$28.1 million in Part I fees and \$674,000 in outstanding Part II licence fees pertaining to the 2005 and 2006 return years. The Commission did not assess or collect revenues for Part II licence fees for 2007–2008 as a result of the Federal Court decision in effect at that time.

The Part I fee is based on the broadcasting regulatory costs incurred each year by the Commission and other federal departments or agencies, excluding Industry Canada spectrum management costs (which are recovered as a component of Part II licence fees). The Part I fee is equal to the aggregate of:

- the costs of the Commission's broadcasting activity
- the share of the costs of the Commission's administrative activities that is attributable to its broadcasting activity, and
- other costs included in the net cost of the Commission's program attributable to its broadcasting activities, excluding the costs of regulating the broadcasting spectrum.

The estimated total broadcasting regulatory costs of the Commission are set out in the Commission's Expenditure Plan published in Part III of the Estimates of the Government of Canada (i.e. Part III Report on Plans and Priorities). There is an annual adjustment amount to the Part I fee to adjust estimated costs to actual expenditures. Any excess fees or shortfalls are credited or charged to the licensee in a following year's invoice.

The Part II fee is calculated at 1.365% of a licensee's gross revenue derived from broadcasting activities in excess of an applicable exemption limit. The CRTC collects the Part II fees on behalf of the government and all collected revenues are deposited to the Government of Canada's Consolidated Revenue Fund. The rationale for assessing the Part II licence fee is three-fold:

- to earn a fair return for the Canadian public for access to, or exploitation of, a publicly owned or controlled resource (i.e. broadcasters use of the broadcasting spectrum),

- to recover Industry Canada costs associated with the management of the broadcasting spectrum, and
- to represent the privilege of holding a broadcasting licence for commercial benefit.

Part II Fee and Legal Proceeding

Several legal proceedings have been filed in the Federal Court of Canada by broadcasters challenging the legality of the Part II Licence Fee. These claims also seek the return of fees paid pursuant to section 11 of the *Broadcasting Licence Fee Regulations, 1997* from 1998 to 2006, plus interest and costs.

On December 14, 2006, the Federal Court Trial Division ruled that the CRTC's Part II licence fees collected by the federal government from broadcasters and broadcast distributors were an illegal tax. The Crown appealed that decision to the Federal Court of Appeal. On April 28, 2008, the Federal Court of Appeal overturned the earlier ruling of the Federal Court Trial Division and declared that the Part II licence fees are valid regulatory charges and are not a tax. In June 2008, the plaintiffs filed applications for leave to appeal, of the Federal Court of Appeal decision, to the Supreme Court of Canada.

Telecommunications Fees

Section 68 of the *Telecommunications Act* sets out the authority for collecting telecommunications fees from carriers that the Commission regulates. Each company that files tariffs must pay fees based on its operating revenue, as a percentage of the revenue of all the carriers that file tariffs. For 2007–2008, the CRTC collected \$26.1 million in telecommunications fees.

The annual fees the CRTC collects is equal to the aggregate of:

- the cost of the Commission's telecommunications activity
- the share of the costs of the administrative activities that is attributable to its telecommunications activity, and
- the other costs included in the net cost of the Commission's program that are attributable to its telecommunications activity.

The Commission's estimated total telecommunications regulatory costs are set out in the its expenditure plan published in Part III of the Estimates of the Government of Canada (i.e., Part III Report on Plans and Priorities). There is an annual adjustment amount to the telecommunications fees to bring in line estimated costs and actual expenditures. Any excess fees or shortfalls are credited or charged to the carriers in a following year's invoice.

Dispute Resolution—Fee Assessment

Under the CRTC's dispute-resolution process regarding the assessment of broadcasting licence fees and telecommunications fees:

- the first point of contact for fee payers concerning issues related to fee assessment or collection is the Commission's Assistant Director, Financial Operations and Licence Fee Processing followed by the Director General Finance and

Administrative Services. Fee payers may raise their concerns either by telephone conversation, e-mail or letter. To date, most fee-payers' concerns have been resolved at the staff level.

- Where an issue cannot be satisfactorily resolved at the staff level, fee payers are requested to document the nature of their concern in writing and submit it to the CRTC's Secretary General for formal consideration. CRTC responds to all such letters.

Table 3: Policy on Service Standards for External Fees

Service Standards

Broadcasting – Part I Licence Fees

Broadcasting Services	Service Standards	Stakeholders	Method of annual consultation
1. Administrative Route	Applications that do not require a public process, including transfer of ownership: 80% in 2 months 90% in 3 months	Broadcasting industry Canadian public	Public notice process (See note)
2. Public Notice Route (excluding license renewals)	Applications that do not give rise to opposing interventions or policy issues: 80% in 6 months 90% in 8 months Applications that give rise to opposing interventions, but do not raise policy issues: 80% in 8 months 90% in 10 months Applications that raise policy issues: In such a case, the CRTC will advise the applicant within 30 days that its application raises policy issues.		

3. Licence renewals by public notice route	Applications that do not raise policy issues: 80% in 8 months 90% in 10 months	
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Note: In *Call for comments on the Commission's service standards*, Broadcasting Public Notice CRTC 2006-16, 10 February 2006, the Commission proposed service standards for the issuance of decisions on broadcasting applications in a timely manner and according to a predictable schedule.

As set out in *Introduction of service standards for certain broadcasting applications*, Broadcasting Circular CRTC 2006-2, 5 April 2006, the comments received from the broadcasting industry supported the Commission's commitment to ensure that decisions on broadcasting applications are issued in a timely fashion. According to the parties, improved efficiency and accountability in the Commission's licensing activities would provide for greater certainty in a rapidly changing industry. Certain parties called for even more stringent service standards than those proposed and suggested that additional measures should be put in place by the Commission to streamline its procedures.

In Circular 2006-2, the Commission introduced new service standards for its processing of certain types of applications filed after March 31, 2006. These include applications for license amendments and license renewals currently processed using the public notice approach, as well as applications processed using the administrative approach that does not entail a public process.

**Quarterly report on streamlined processes for
broadcasting amendment applications
1 April 2007 to 31 March 2008**

The streamlining processes below are mentioned pursuant to *Streamlined processes for certain broadcasting applications*, Broadcasting Circular CRTC 2006-1.

Streamlined Processes—Applications Received

Processing routes/Measureable indicators	Q1	Q2	Q3	Q4	Year to Date
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I. Administrative Route

Received	33	28	52	39	152
Returned (d)	4	8	2	4	18
Total to be processed	29	20	50	35	134
Incomplete at reception	12	7	13	14	46
Indicator: Letter of clarification sent within 15 business days (c)	9 of 12 (75%)	5 of 7 (71%)	12 of 13 (92%)	9 of 14 (64%)	35 of 46 (76%)
Complete at reception	17	13	37	21	88
Indicator: Letter of approval issued within 15 days (b)	16 of 17 (94%)	12 of 13 (92%)	36 of 37 (97%)	19 of 21 (90%)	83 of 88 (94%)

2. Public notice route (excluding renewals/do not give rise to policy issues)

Received	39	28	36	27	130
Returned (d)	3	4	5	2	14
Total to be processed	36	24	31	25	116
Incomplete at reception	26	11	21	15	73
Indicator: Letter of clarification sent within 15 business days (c)	21 of 26 (81%)	10 of 11 (91%)	19 of 21 (90%)	14 of 15 (93%)	64 of 73 (88%)
Complete at reception	10	13	10	10	43
Indicator: Public Notice issued within 15 business days (a)	10 of 10 (100%)	10 of 13 (77%)	5 of 10 (50%)	8 of 10 (80%)	33 of 43 (77%)

Only applications received after March 31, 2007, are considered in these reports.

Indicators: Under Broadcasting Circular CRTC 2006-1, the objective is to ensure that within 15 business days of receiving an application as described, the Commission will issue one of the following:

- a) a public notice announcing the application
- b) a letter approving the application
- c) a letter requesting clarification, or
- d) a letter returning an application that is deemed incomplete.

Quarterly report on service standards for processing broadcasting amendment and license renewal applications 1 April 2007 to 31 March 2008

The service standards below are monitored pursuant to *Introduction of service standards for certain broadcasting applications*, Broadcasting Circular CRTC 2006-2.

Service Standards – Applications Decided

Processing routes/Measureable indicators	Q1	Q2	Q3	Q4	Year to Date
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1. Administrative route

Decided	28	24	55	28	135
Service standards	64%	86%	95%	96%	85%
80% in 2 months					
90% in 3 months	79%	100%	100%	96%	94%

2. Public notice route (excluding renewals/ do not give rise to policy issues)

Decided (without opposing interventions)	18	26	9	13	66
Service standards 80% in 6 months	100%	96%	100%	100%	100%
90% in 8 months	100%	100%	100%	100%	100%

Decided (with opposing interventions)	8	13	11	20	52
Service standards 80% in 8 months	63%	62%	91%	65%	70%
90% in 10 months	100%	100%	100%	100%	100%

3. Licence renewals by public notice route

Decided	63	80	5	2	150
Service standards 80% in 8 months	100%	81%	40%	100%	80%
90% in 10 months	100%	100%	80%	100%	95%

Only applications received after March 31, 2007, are considered in this report.

Q1 = 1 April 2007 to 30 June 2007

Q2 = 1 July 2007 to 30 September 2007

Q3 = 1 October 2007 to 31 December 2007

Q4 = 1 January 2008 to 31 March 2008

Service Standards: Under Broadcasting Circular CRTC 2006-2, the Commission has set service standards for the processing of these applications as described in the table above.

**Quarterly report on service standards for
processing telecommunications retail tariff applications
1 April 2007 to 31 March 2008**

Service Standards 1 and 2 below are monitored pursuant to *Introduction of a streamlined process for retail tariff filings*, Telecom Circular CRTC 2005-6 and confirmed in *Finalization of the streamlined process for retail tariff filings*, Telecom Circular CRTC 2005-9, while Service Standard 3 is monitored pursuant to the *Telecommunications Act*.

Service Standards	Measurable indicators	Q1	Q2	Q3	Q4	Year to date
Retail tariff filings received subject to 10-business day reporting		(188)	(163)	(185)	(146)	(682)
1. Ten business-day initiative - inform applicant of status						
a) Interim decision issued	85% of interim decisions issued in 10 business days	99% (156 of 158)	95.8% (136 of 142)	92.0% (138 of 150)	99% (121 of 122)	(96%) (551 of 572)
b) Issues identified (letter)	85% of letters issued in 10 business days	100% (26 of 26)	100% (16 of 16)	96.9% (31 of 32)	100% (16 of 16)	98.9% (89 of 90)
c) Interrogatories (letter)	85% of letters issued in 10 business days	100% (0 of 0)	100% (2 of 2)	100% (2 of 2)	100% (7 of 7)	100% (11 of 11)
d) Closed as deficient (letter)	85% of letters issued in 10 business days	100% (4 of 4)	100% (3 of 3)	100% (1 of 1)	100% (1 of 1)	100% (9 of 9)
2. Average processing time for initial disposition* of applications	30 business days	11	9.9	9.4	9.3	9.9
3. Initial dispositions issued	85% in 45 business days	96%	98.2%	97.8%	99%	97%

(n) = Number of applications received from April 1, 2007. Applications received after that date only are considered in these service standards.

Q1 = 1 April 2007 to 30 June 2007

Q2 = 1 July 2007 to 30 September 2007

Q3 = 1 October 2007 to 31 December 2007

Q4 = 1 January 2008 to 31 March 2008

* Initial disposition could be an interim or a final decision, or a letter to the applicant indicating that the file will be closed as the application is deemed deficient.

1. Under Telecom Circulars CRTC 2005-6 and 2005-9, the CRTC must inform the

applicant(s) of the status of applications within 10 business days of receipt of a complete application. The CRTC is to issue one of the following:

- an order granting the application interim approval
- a letter stating that it intended to dispose of the application within 45 business days of receipt of the application, setting out the reasons why interim approval was not granted
- a letter either with interrogatories included or confirmation that interrogatories were to follow within five business days, and an indication that it still intended to dispose of the application within 45 business days, or
- a letter indicating that the file was being closed due to deficiencies in the application, identifying the specific deficiencies.

Service Standard 1 measures the CRTC's ability to produce results within 10 business days. Results may be produced, but if they are not issued within 10 business days, then they are not counted as successes in the report.

2. Also, under Telecom Circulars CRTC 2005-6 and 2005-9, the CRTC intends to reduce the average processing time for tariff applications. Before 1 April 2005, the average processing time was greater than 55 business days. The CRTC expects to reduce its average time to dispose of retail tariff applications by 50% over the next 12 months from April 25, 2005, the date of Telecom Circular CRTC 2005-6.

3. Under the *Telecommunications Act*, the CRTC is required to issue, within 45 business days of receipt of a tariff application, a decision on the application, or if it cannot do that, a letter indicating when it will issue a decision.

**Report on service standards for processing
telecommunications retail tariff applications
2005-2008**

Service Standards	Measurable indicators	2005/2006	2006/2007	2007/2008
Retail tariff filings received subject to 10-business-day reporting		(441)	(700)	(682)
1. 10-business-day initiative - inform applicant of status				
a) Interim decision issued	85% of interim decisions issued in 10 business days	94% (309 of 329)	99% (520 of 523)	96% (551 of 572)
b) Issues identified (letter)	85% of letters issued in 10 business days	97.4% (74 of 76)	96% (118 of 123)	98.9% (89 of 90)
c) Interrogatories (letter)	85% of letters issued in 10 business days	100% (13 of 13)	100% (16 of 16)	100% (11 of 11)
d) Closed as deficient (letter)	85% of letters issued in 10 business days	100% (23 of 23)	97% (37 of 38)	100% (9 of 9)
2. Average processing time for initial disposition* of applications	30 business days	8 days	8.9 days	9.9 days
3. Initial dispositions issued	85% in 45 business days	99.8%	99.9%	97%

* Initial disposition could be an interim or a final decision, or a letter to the applicant indicating that the file is being closed because the application has been deemed deficient.

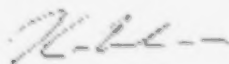
Canadian Radio-television and Telecommunications Commission
Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2008 and all information contained in these statements rests with the CRTC departmental management. These financial statements have been prepared by the CRTC management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

The CRTC management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on the CRTC management's best estimates and judgment and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, the CRTC management maintains a set of accounts that provides a centralized record of the department's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the department's *Departmental Performance Report* is consistent with these financial statements.

The CRTC management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, assets are safeguarded and transactions are conducted in accordance with the *Financial Administration Act*, executed in accordance with prescribed regulations, and properly recorded to maintain accountability of government funds. The CRTC management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the department.

The financial statements of the Commission have not been audited.



Konrad von Finckenstein, Q.C.
Chairman

Gatineau, Canada

Date: July 10, 2008



Robert A. Morin
Secretary General

Table 4: Financial Statements – Year ended March 31, 2008

Canadian Radio-television and Telecommunications Commission Statement of Operations (Unaudited) For the Year Ended March 31, 2008 (in dollars)				
	2007-08			2006-07
	Broadcasting (Note 1)	Telecommunications (Note 1)	Total	
Expenses				
Salaries and employee benefits	20,707,471	20,229,092	40,936,563	40,531,413
Spectrum management cost (Note 10)	10,000,000	-	10,000,000	10,000,000
Professional and special services	3,318,999	3,047,226	6,366,225	4,215,918
Accommodation	1,457,648	1,457,647	2,915,295	2,708,000
Travel and relocation	1,171,040	1,004,026	2,175,066	1,599,949
Information, advertising and communications services	1,556,237	417,952	1,974,189	1,668,786
Repair and maintenance	771,754	828,143	1,599,897	692,006
Furniture and equipment	747,484	747,468	1,494,952	345,730
Amortization	336,881	336,881	673,762	708,706
Materials and supplies	257,818	251,608	509,426	402,201
Rentals	211,034	70,191	281,225	297,184
Bad debt	48,254	15,703	63,957	(53,048)
Other	1,516	1,010	2,526	12,154
Total expenses	40,586,136	28,406,947	68,993,083	63,128,999
Revenues				
Regulatory fees	28,079,631	26,159,573	54,239,204	53,587,451
Rights and privileges (Note 11)	673,954	-	673,954	121,850,542
Other revenues	70,027	1,327	71,354	29,024
Total revenues	28,823,612	26,160,900	54,984,512	175,467,017
Net cost (results) of operations	11,762,524	2,246,047	14,008,571	(112,338,018)
The accompanying notes form an integral part of these financial statements				

Canadian Radio-television and Telecommunications Commission

Statement of Financial Position (Unaudited)

As at 31 March, 2008

(in dollars)

	2007-08	2006-07
ASSETS		
Financial assets		
Accounts receivables and advances (Note 4)	637,208	738,052
Total financial assets	637,208	738,052
Non-financial assets		
Prepaid expenses	149,639	-
Tangible capital assets (Note 5)	2,192,703	1,100,091
Total non-financial assets	2,342,342	1,100,091
Total Assets	2,979,550	1,838,143
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	7,133,185	3,184,068
Deferred revenue (Note 6)	1,091,826	26,110
Vacation pay and compensatory leave	2,049,943	2,114,470
Accrued employee severance benefits (Note 8(b))	6,834,470	7,362,397
Total Liabilities	17,109,424	12,687,045
Equity of Canada	(14,129,874)	(10,848,902)
Total Liabilities and Equity of Canada	2,979,550	1,838,143

Contingent liabilities (Note 9)

The accompanying notes form an integral part of these financial statements

Canadian Radio-television and Telecommunications Commission

Statement of Equity of Canada (Unaudited)

As at 31 March, 2008

(in dollars)

	2007-08	2006-07
Equity of Canada, beginning of year		
Net (cost) results of operations	(10,848,902)	(10,425,378)
Current year appropriations used (Note 3)	(14,008,571)	112,338,018
Revenue not available for spending	15,441,427	7,712,095
Change in net position in the Consolidated Revenue Fund (Note 3)	(14,947,890)	(135,601,317)
Services received without charge from other government departments (Note 10(a))	(5,077,315)	(79,130)
	<u>15,311,377</u>	<u>15,206,810</u>
Equity of Canada, end of year	<u>(14,129,874)</u>	<u>(10,848,902)</u>

The accompanying notes form an integral part of these financial statements

Canadian Radio-television and Telecommunications Commission

Statement of Cash Flow (Unaudited)

For the Year Ended March 31, 2008

(in dollars)

	2007-08	2006-07
Operating activities		
Net cost (results) of operations	14,008,571	(112,338,018)
Non-cash items		
Services provided without charge by other government departments included in the Statement of Operations (Note 10(a))	(15,311,377)	(15,206,810)
Amortization of tangible capital assets (Note 5)	(673,762)	(720,205)
Gain (loss) on disposal and write-off of tangible capital assets	469	(10,117)
Variation in Statement of Financial Position		
Increase (decrease) in accounts receivable and advances	(100,844)	162,918
Increase in prepaid expenses	149,639	-
Increase in liabilities	(4,422,379)	(253,864)
Cash provided by operating activities	<u>(6,349,683)</u>	<u>(128,366,096)</u>
Capital investment activities		
Acquisition of tangible capital assets (Note 5)	1,771,268	397,744
Proceeds from disposal of tangible capital assets	(5,363)	-
Cash used by capital investment activities	<u>1,765,905</u>	<u>397,744</u>
Financing activities		
Net cash provided to Government of Canada	<u>(4,583,778)</u>	<u>(127,968,352)</u>

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements (unaudited)
Year ended March 31, 2008

1. Authority and Objectives

CRTC was created by Parliament in 1968 under the *Canadian Radio-television and Telecommunications Commission Act*. The CRTC reports to Parliament through the Minister of Canadian Heritage.

The CRTC is vested with the authority to regulate and supervise all aspects of the Canadian broadcasting system, as well as the telecommunications services providers and common carriers that come under federal jurisdiction. The CRTC's powers in the area of broadcasting regulation derive from the *Broadcasting Act*. Its powers over telecommunications come from the *Telecommunications Act* and from various special acts of Parliament passed for specific telecommunications companies.

The following are the program activity descriptions for the CRTC:

- *Regulation and Supervision of the Canadian Broadcasting Industry*
 - Supervise and regulate all aspects of the Canadian broadcasting system to implement the broadcasting policy set out in the *Broadcasting Act*.
- *Regulation and Monitoring of the Canadian Telecommunications Industry*
 - Ensure the implementation of objectives set out in the *Telecommunications Act* and ensure that Canadian carriers provide telecommunications services and charge rates on terms that are just and reasonable, and do not unjustly discriminate or provide an unreasonable preference toward any person.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

(a) *Parliamentary appropriations and vote-netting*: the CRTC is financed in part by the Government of Canada through Parliamentary Appropriations (e.g. Statutory Vote for Employee Benefits Plans (EBP)) and the balance by vote-netted fees it collects from the regulated industries. Vote-netting is a means of funding selected programs or activities wherein Parliament authorizes a department to apply revenues collected from fee payers towards costs directly incurred for specific activities. CRTC has the authority to use a portion of the Part I licence fees collected from broadcasters and a portion of the annual telecommunications fees collected from telecommunications carriers to finance the costs it incurs in regulating the broadcasting and telecommunications industries (the Commission refers to these fees as *responsible revenue*). The balance of these two fees

recovers the costs for items funded through appropriations (e.g. EBP) and costs incurred by other government departments on the CRTC's behalf and is classified as non-respendable revenue.

The accounting of fees collected and the charges to the appropriations in a given year does not parallel financial reporting according to generally accepted accounting principles since they are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through fee collection and the appropriation from Parliament. Note 3 to these financial statements provides information regarding the source and disposition of these authorities as well as a reconciliation between net cash provided to government to current year appropriation used.

(b) *Net cash provided to government*: the CRTC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the CRTC is deposited to the CRF and all cash disbursements made by the CRTC are paid from the CRF. The net cash provided to government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

(c) *Change in net position in the Consolidated Revenue Fund* is the difference between the net cash provided to government and appropriations used in a year, excluding the amount of non-respendable revenue recorded by the CRTC. The discrepancy results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

(d) *Revenues*: the CRTC collects fees under the authority of the *Broadcasting Act* and *Telecommunications Act* and the regulations made pursuant to these Acts, namely the *Broadcasting Licence Fee Regulations, 1997* and the *Telecommunications Fee Regulations, 1995*. These fees are accounted for in the period in which the underlying transaction or event occurs that gives rise to the revenues. Revenues that have been received but not yet earned are disclosed in the Statement of Financial Position as deferred revenue.

(e) *Expenses* are recorded on the accrual basis:

- vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment, and
- Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, spectrum management and worker's compensation are recorded as operating expenses at their estimated cost.

(f) *Employee future benefits*

- Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. The

CRTC's contributions to the plan are charged to expenses in the year incurred and represent the total departmental obligation to the plan. Current legislation does not require the CRTC to make contributions for any actuarial deficiencies of the plan.

- **Severance benefits:** Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the government as a whole.

(g) *Accounts receivables* are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

(h) *Contingent liabilities* are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. For matters that are within the normal course of operations, to the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements. Matters that are outside of the normal course of operations or for which the potential impact could be significant to the government are disclosed in the notes to these financial statements, but they are recorded, if required, only at the Government of Canada level.

(i) *Tangible capital assets:* All tangible capital assets with an initial cost of \$5,000 or more are recorded at their acquisition cost. The CRTC does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset Class	Amortization period
Informatics equipment	3 years
Informatics software	5 years
Vehicles	5 years
Equipment	5 years

(j) *Measurement uncertainty:* The preparation of these financial statements in accordance with Treasury Board accounting policies (which are consistent with Canadian generally accepted accounting principles for the public sector) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Appropriations

CRTC receives the major portion of its funding through fees assessed against the regulated industries—broadcasting and telecommunications—as well as a portion from Parliamentary appropriations. Since Parliamentary appropriations are not calculated on the accrual accounting basis, there is a difference between appropriations used and: (a) net cost (results) of operations; and (b) net cash provided to Government of Canada. The differences are reconciled below.

(a) Reconciliation of net cost (results) of operations to current year appropriations used		
	2007–2008	2006–2007
	(in dollars)	
Net cost (results) of operations	14,008,571	(112,338,018)
Adjustments for items affecting net cost (results) of operations but not affecting appropriations:		
Add (Less):		
Employee severance benefits	527,928	(12,136)
Services provided without charge	(15,311,377)	(15,206,810)
Amortization of tangible capital assets	(673,762)	(708,707)
Bad debt expenses	(63,957)	53,049
Refund of prior years expenses and adjustment to payables at year end	20,228	280,642
Reversal of legal expenses charged to Justice appropriation	-	(148,715)
Revenue not available for spending	14,947,890	135,601,317
Gain (loss) on disposal and write-down of tangible capital assets	469	(10,117)
Vacation pay and compensatory leave	64,530	(184,656)
Sub-total	(488,051)	119,663,868
Adjustments for items not affecting net cost (results) of operations but affecting appropriations:		
Add:		
Acquisitions of tangible capital assets	1,771,268	386,245
Prepaid expenses	149,639	-
Sub-total	1,920,907	386,245
Current year appropriations used	15,441,427	7,712,095
(b) Appropriations provided and used		
Program expenditures and transfer from Treasury Board Votes	10,603,798	2,778,301
Statutory amounts	5,700,587	5,374,297
Total appropriation available	16,304,385	8,152,598
Less:		
Appropriations available for future years	(862,958)	(440,503)
Total appropriations used	15,441,427	7,712,095

3. Parliamentary Appropriations (continued)

(c) Reconciliation of net cash provided to Government to current year appropriations used		
	2007-2008	2006-2007
	(in dollars)	
Net cash provided to Government of Canada	(4,583,778)	(127,968,352)
Revenue not available for spending	14,947,890	135,601,317
	<u>10,364,112</u>	<u>7,632,965</u>
Change in net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	100,844	(162,918)
Disposal of tangible capital assets	5,363	-
Variation in accounts payable and accrued liabilities	3,949,121	57,071
Variation in deferred revenue	1,065,716	-
Refund of prior years expenses	20,228	280,643
Reversal of payments to Department of Justice	-	(148,715)
Variation in bad debt expenses	<u>(63,957)</u>	<u>53,048</u>
	<u>5,077,315</u>	<u>79,130</u>
Current year appropriation used	<u><u>15,441,427</u></u>	<u><u>7,712,095</u></u>

4. Accounts Receivable and Advances

	2007-08	2006-07
	(in dollars)	
Receivables from other Federal Government departments and agencies	599,931	605,095
Receivable from external parties	65,800	88,902
Other	4,028	57,390
	669,759	751,387
Less: Allowance for doubtful accounts on external receivables	(32,551)	(13,335)
Total	637,208	738,052

5. Tangible Capital Assets

(in dollars)

Capital asset class	Cost				Accumulated amortization				2008	2007
	Opening balance	Acquisitions	Disposals and write-offs	Closing balance	Opening balance	Amortization	Disposals and write-offs	Closing balance	Net book value	Net book value
Equipment	129,779	91,589	-	220,367	40,041	35,879	-	75,919	144,448	99,737
Vehicles	45,406	32,035	24,471	52,970	38,881	7,071	19,577	26,375	27,195	6,525
Informatics Equipment	699,429	989,500	56,304	1,621,624	511,933	136,804	56,304	592,433	1,029,191	179,495
Informatics Software	2,494,858	657,544	-	3,152,402	1,667,224	494,009	-	2,161,233	991,169	829,134
Total	3,369,470	1,771,268	80,775	5,048,663	2,258,079	673,762	75,881	2,655,960	2,192,763	1,100,091

Amortization expense for the year ended March 31, 2008, is \$673,762 (2007 - \$708,706).

6. Deferred Revenue

Deferred revenue represents the balance at year-end of unearned revenue as a result of an over collection of the estimated telecommunications costs. This over collection is credited to applicable telecommunications carriers as part of the subsequent year's billing process for CRTC telecommunications fees.

	2007-08	2006-07
	(in dollars)	
Opening balance	26,110	-
Telecommunications fees	1,091,826	26,110
Revenues recognized	26,110	-
Closing balance	1,091,826	26,110

7. Accounts Payable and Accrued Liabilities

	2007-08	2006-07
	(in dollars)	
Accounts payable - other Federal Government departments and agencies	516,482	215,434
Accounts payable - external parties	4,472,635	1,301,177
Accruals:		
Salaries	1,543,866	1,561,420
Operating and Maintenance	600,202	106,037
Total accounts payable and accrued liabilities	7,133,185	3,184,068

8. Employee Benefits

(a) Pension benefits: The CRTC's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2% per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada and Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the CRTC contribute to the cost of the plan. The 2007-08 expense amounts to \$4 million (as compared to \$4 million in 2006-07), which represents approximately 2.1 times (2.2 times in 2006-2007) total contributions by employees.

The CRTC's responsibility with regard to the plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the plan's sponsor.

(b) Severance benefits: The CRTC provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, are as follows:

	2007-08	2006-07
	(in dollars)	
Accrued severance liabilities, beginning of year	7,362,397	7,350,261
Expense for the year	69,654	979,600
Benefits paid during the year	(597,581)	(967,464)
Accrued severance liabilities, end of year	6,834,470	7,362,397

9. Contingent Liabilities

As at 31 March 2008, the Government of Canada (for matters involving the CRTC) had one claim outstanding as a result of litigation which pertains to a challenge of the CRTC's Part II broadcasting licence fees. In December of 2006, the Federal Court Trial Division ruled that the CRTC's Part II licence fees collected by the federal government from broadcasters and broadcast distributors were an illegal tax. The Crown appealed that decision to the Federal Court of Appeal. On April 28, 2008, the Federal Court of Appeal overturned the earlier ruling of the Federal Court Trial Division and declared that the Part II licence fees are valid regulatory charges and are not a tax. In June 2008, the plaintiffs filed applications for leave to appeal, of the Federal Court of Appeal decision, to the Supreme Court of Canada. The CRTC has not recorded a provision for this contingent liability in these financial statements.

10. Related Party Transactions

As a result of common ownership, CRTC is related to all Government of Canada departments, agencies and Crown corporations. CRTC enters into transactions with these entities in the normal course of business and on normal trade terms.

a. Services provided without charge:

During the year, CRTC received services without charge from other departments for items such as accommodation, the employer's contribution to the health and dental insurance plans. The services provided without charge that have been recognized in the department's Statement of Operations are as follows:

	2007-08	2006-07
	(in dollars)	
Spectrum Management expenses	10,000,000	10,000,000
Accommodation expenses	2,915,295	2,708,000
Health & Dental expenses	2,352,000	2,456,000
Worker's Compensation expenses	44,082	42,810
Total	15,311,377	15,206,810

Industry Canada is responsible for the management of the broadcasting spectrum. As part of this responsibility, the department issues technical certificates that accompany the broadcasting licences issued by the CRTC where the use of broadcasting spectrum is required, and monitors for interference that could affect spectrum use. Total costs related to Industry Canada's broadcasting spectrum management are reported to the CRTC on an annual basis. These costs are a component of the Part II broadcasting licence fees collected by the CRTC on behalf of the government. Other services provided without charge to the CRTC as noted above are a component of the Part I broadcasting licence fee and the annual telecommunications fee collected by the CRTC.

The government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these activities on behalf of all without charge. The costs of these services, which include payroll and cheque-issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General of Canada, are not included as expenses in the CRTC's Statement of Operations, nor are they recovered as a component of the CRTC Part I broadcasting licence fee or annual telecommunications fee.

b. Receivables and payables outstanding at year-end with related parties:

	2007-08 (in dollars)	2006-07
Accounts receivable from other government departments and agencies	599,931	605,095
Accounts payable to other government departments and agencies	516,482	215,434

11. Revenues—Rights and Privileges

Fee revenues for rights and privileges decreased significantly in 2007-08 versus 2006-07, as a result of a decision of the Federal Court Trial Division in December 2006. In that decision, the Court declared that section 11 of the *Broadcasting Licence Fee Regulations, 1997* was *ultra vires* and that the Part II licence fees collected by the federal government, pursuant to these regulations, were an illegal tax. The declaration was suspended for nine months in order to allow the government time to react. During this time period, the CRTC collected \$673,954 in outstanding Part II licence fees pertaining to the 2005 and 2006 return years. In November 2007, the CRTC did not assess or collect any Part II licence fees, as a result of the Federal Court decision in effect at that time.

On April 28, 2008, the Federal Court of Appeal (FCA) overturned the earlier ruling of the Federal Court Trial Division and declared that the Part II licence fees are valid regulatory charges and are not a tax. On May 5, 2008 the Canadian Association of Broadcasters publicly announced that it would seek leave to appeal this decision to the Supreme Court of Canada (SCC). As a result, the CRTC announced on this date that it would not resume any collection action for Part II licence fees until the issue is resolved in a final manner (i.e. until the earliest of: the matter being settled, the application for leave to appeal to the SCC is denied or the judgment of the FCA is affirmed by the SCC).

12. Comparative Information

Comparative figures have been reclassified to conform to the current year's presentation.

Table 5: Response to Parliamentary Committees, Audits and Evaluations

2005-11 OAG Chapter 5 - Support to Cultural Industries	
5.99 Recommendation . The Canadian Radio-television and Telecommunications Commission should inform the Canadian Television Fund of the amount each cable or satellite distribution company should have paid it the previous year, and should require confirmation from the Canadian Television Fund that it received those amounts.	
Entity(ies):	Canadian Radio-television and Telecommunications Commission
Update N/A:	
First evaluation year - No previous update / Première année d'évaluation - aucune mise à jour antérieure	
OAG Assessment N/A: First evaluation year - No previous assessment	
Update 2007 :	
On March 15, 2007, the CRTC provided the Canadian Television Fund (CTF) with a document that details the amounts that the CTF should expect to have received for the 2005 Broadcast year. The information was made available on a licensee-specific basis. Upon confirmation by the CTF of the amounts it received, the CRTC will follow up as necessary with those distribution companies who have not contributed the expected amounts.	

2005-11 BVG Chapitre 5 - Le soutien accordé aux industries culturelles	
5.99 Recommandation. Le Conseil de la radiodiffusion et des télécommunications canadiennes devrait informer le Fonds canadien de télévision des sommes que les entreprises de distribution par câble et par satellite auraient dû lui verser durant la dernière année et exiger que le Fonds canadien de télévision lui confirme les sommes qu'il a reçues.	
Entité(s) :	Conseil de la radiodiffusion et des télécommunications canadiennes
Mise à jour S/O :	
Première année d'évaluation - aucune évaluation antérieure	
Évaluation du BVG S/O :	
Première année d'évaluation - aucune évaluation antérieure	
Mise à jour 2007 :	
Le 15 mars 2007, le CRTC a remis au Fonds canadien de télévision (FCT) un document précisant les montants que le FTC aurait dû recevoir pour l'année de radiodiffusion 2005, par titulaire. Dès que le FTC lui confirmera les montants reçus, le CRTC assurera le suivi nécessaire auprès des entreprises de distribution n'ayant pas versé les montants prévus.	

Financial Information & Summary Tables

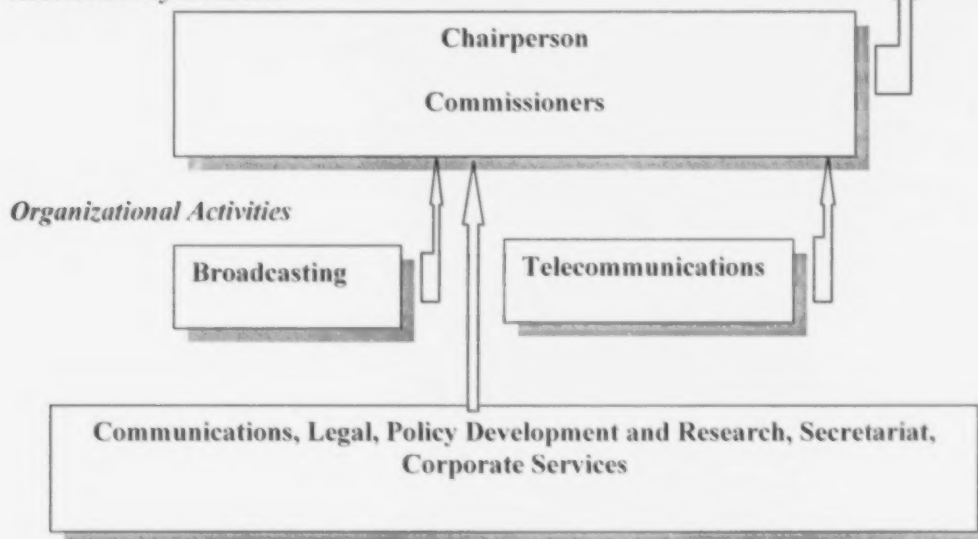
A graphical representation of the accountability and activity structure, including resource levels, is presented below.

CRTC Accountability Activity Structure

Business Line

Regulation of Communications in the Public Interest	
Planned spending	\$45.8 million
Total authorities	\$56.5 million
2006-2007 Actual	\$55.6 million

Accountability Structure



Note: The CRTC reports to Parliament through the Minister of Canadian Heritage

APPENDICES

Appendix A: CRTC Members and Offices

CRTC Members		
Chairman	<i>Konrad von Finckenstein</i>	(819) 997-3430
Vice-Chairman, Broadcasting	<i>Miche^l Arpin</i>	(819) 997-8766
Vice-Chairman, Telecommunications	<i>Len Katz</i>	(819) 997-8766
Commissioner	<i>Rita Cugini, * Ontario</i>	(819) 997-2431
		(416) 954-6269
		(604) 666-2914
Commissioner	<i>Timothy Denton</i>	
Commissioner	<i>Elizabeth Duncan, * Atlantic</i>	(819) 997-4764
		(902) 426-2644
Commissioner	<i>Suzanne Lamarre, * Quebec</i>	(819) 997-3831
Commissioner (Part-Time)	<i>Peter Menzies *</i> <i>Alberta/Northwest Territories</i>	(819) 953-0435
		(780) 455-6390
Commissioner	<i>Candice Molnar *</i>	
Commissioner	<i>Michel Morin</i>	
Commissioner	<i>Marc Patrone</i>	
Commissioner	<i>Louise Poirier</i>	
Commissioner	<i>Steven Simpson, * British Columbia</i>	

* These commissioners also have regional responsibilities

Client Services – Central Office	
Telephone (Toll-Free)	1-877-249-CRTC (2782)
<i>Client Services</i>	(819) 997-0313
<i>Public Examination Room</i>	(819) 997-2429
<i>Access to Information and Privacy</i>	(819) 994-5366
<i>Library</i>	(819) 997-4484
<i>TDD (Toll-Free)</i>	1-877-909-2782
<i>Media Relations</i>	(819) 997-9403
Fax Numbers	
<i>General</i>	(819) 994-0218
<i>Communications</i>	(819) 997-4245
<i>Finance and Corporate Services</i>	(819) 953-5107
<i>General Counsel</i>	(819) 953-0589
<i>Human Resources Information</i>	(819) 953-5107
Electronic Access	
<i>Internet</i>	http://www.crtc.gc.ca

CRTC Offices	
Central Office Les Terrasses de la Chaudière Central Building 1 Promenade du Portage Gatineau, Quebec J8X 4B1 Tel.: (819) 997-0313 Fax: (819) 994-0218 TDD: 1-877-909-2782 Mailing address: CRTC Ottawa, Ontario K1A 0N2	Ontario 55 St. Clair Avenue East Suite 624 Toronto, Ontario M4T 1M2 Tel.: (416) 952-9096 Fax: (416) 954-6343
In Nova Scotia Metropolitan Place 99 Wyse Road Suite 1410 Dartmouth, Nova Scotia B3A 4S5 Tel.: (902) 426-7997 Fax: (902) 426-2721 TDD: (902) 426-6997	In Saskatchewan Cornwall Professional Bldg. 2125-11th Avenue Suite 103 Regina, Saskatchewan S4P 3X3 Tel.: (306) 780-3422 Fax: (306) 780-3319
In Quebec 205 Viger Avenue West Suite 504 Montréal, Québec H2Z 1G2 Tel.: (514) 283-6607 Fax: (514) 283-3689	In Alberta Standard Life Centre 10405 Jasper Avenue, Suite 520 Edmonton, Alberta T5J 3N4 Tel.: (780) 495-3224 Fax: (780) 495-3214
In Manitoba 275 Portage Avenue Suite 1810 Winnipeg, Manitoba R3B 2B3 Tel.: (204) 983-6306 Fax: (204) 983-6317 TDD: (204) 983-8274	In British Columbia 580 Hornby Street Suite 530 Vancouver, British Columbia V6C 3B6 Tel.: (604) 666-2111 Fax: (604) 666-8322 TDD: (604) 666-0778

Appendix B: Legislation, Directions and Associated Regulations

Statutes

Canadian Radio-television and
Telecommunications Commission Act
Broadcasting Act
Telecommunications Act

R.S.C. 1985, c. C-22, as amended
S.C. 1991, c. 11, as amended
S.C. 1993, c. 38, as amended

Directions, Regulations and Rules of Procedure

Direction to the CRTC (Ineligibility of Non-Canadians)
Direction to the CRTC (Ineligibility to Hold Broadcasting Licences)
Direction to the CRTC (Reservation of Cable Channels)
CRTC Rules of Procedure
Broadcasting Information Regulations, 1993
Broadcasting Licence Fee Regulations, 1997
Broadcasting Distribution Regulations
Pay Television Regulations, 1990
Radio Regulations, 1986
Specialty Service Regulations, 1990
Television Broadcasting Regulations, 1987
CRTC Tariff Regulations
CRTC Telecommunications Rules of Procedure
Telecommunications Fee Regulations, 1995
Canadian Telecommunications Common Carrier Ownership and Control Regulations



